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Insurance and Real Estate Accounts

A Working Handbook of

MODERN METHODS OF ACCOUNTING AND OFFICE ROUTINE AS USED IN
THE OFFICES AND AGENCIES OF INSURANCE COMPANIES,
AND BY DEALERS IN REAL ESTATE

PART I—INSURANCE ACCOUNTS

PART II—REAL ESTATE ACCOUNTING

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AMERICAN ACCOUNTANTS' LIBRARY

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Foreword



INSURANCE affects the welfare of a majority of the people; practically every man is protected in some way by insurance in one of its many forms. But notwithstanding its universal application, insurance is little understood. The average man looks upon it as a mystery which he cannot hope to untangle.

¶ The truth is that insurance is based on readily understood mathematical principles, and when these basic principles are grasped, the operations of the business become as plain as any other business. There seems to be a well-defined demand for more information on this subject, and it has been thought that a better understanding will result from a study of insurance as a business.

¶ This book is a presentation of the methods of conducting the insurance business. Without going into unnecessary detail, the principal forms of insurance are taken up, and the best methods discussed. Since the two lines are so frequently combined, a discussion of real estate methods has been included. It has been the aim of the author to present the more essential features in a form that will be readily understood, and it is hoped that this book will be found of assistance by all those interested in the business of insurance and real estate.

¶ In the preparation of the American Accountants' Library it has been the aim of the publishers to lay especial stress on the practical side of each subject as distinguished from mere theoretical or academic discussion. Each volume is written by a well-known expert of acknowledged authority in his special line and is based upon the most careful study of the practical needs and up-to-date methods as developed under conditions of actual business practice.

¶ The method adopted in the preparation of these volumes is that which the American School of Correspondence has developed and employed so successfully for many years. The volumes are especially adapted for purposes of self-instruction and home study. The utmost care has been used to bring the treatment of each subject within the range of common understanding so that the work will appeal not only to the technically trained expert but also to the beginner and to the self-taught practical man who wishes to keep abreast of modern progress. The arrangement of material is such as to carry the reader along by easy steps to a complete mastery of each subject, and the illustrations are selected with the greatest care, to supplement and make clear the references in the text.



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INSURANCE ACCOUNTS

PART I

INSURANCE

In considering a system of accounting for the insurance business, it is well to first take up the matter in a descriptive manner, so that the student may know what insurance is, for what purpose it is established, and the field that it covers.

Insurance is the act of insuring, or assuring, against loss or damage by a contingent event. It means the assuming by a company formed for the purpose, the hazard of an individual or company; a contract whereby, for a stipulated consideration, called a *premium*, one party undertakes to indemnify or guarantee another against loss by certain specified risks. The person who undertakes to pay in case of loss is termed the *insurer*; the danger against which he undertakes, the *risk*; the person protected, the *insured*; the sum which he pays for the protection, the *premium*; and the contract itself, when reduced to form, the *policy*.

Life Insurance. The earliest insurance known was life insurance, as death was something which was certain to occur, and, as the average number of deaths in a definite number of healthy persons of the same age could be fairly determined even in the earlier days, a proper amount to charge an individual for the risk to be assumed was obtainable. Since this class of insurance has been in vogue for a great many years, with the experience of thousands upon thousands upon which to base their calculations, the actuaries have arrived at a mortality table of rates which is practically impregnable, and which has allowed the rates of insurance to be brought down to a point where they are reasonable to the assured and profitable to the company.

Life insurance is, in effect, the depositing of one's money in a savings bank, to which is attached the gambling feature, on the part of the company, that the insured will live beyond a certain period,

and, on the part of the policy holder, that he will not live beyond that period. If there were any way of ascertaining the absolute certainty of the insured living beyond the length of time estimated by the company, life insurance would be practically worthless. While the cost of life insurance has been considerably reduced, it is now far greater than it should be, principally because of the cost of soliciting through agents. If this extreme agents' cost could be done away with, the cost of life insurance would be very much less. One of the old life insurance companies in England has never had an agent, and is to-day a prosperous company. In this connection, it is well to state that a recent law has been passed in New York state which compels companies doing business therein to limit their expense account.

Assessment and Fraternal Insurance. Assessment and fraternal insurance is a system of life insurance by which the annual premiums to be paid by the insured are not fixed, but subject to change from time to time, according to deaths during the period, each member being assessed for his proportion of the expense of the society and the death losses.

Term Insurance. A life insurance policy of this class is one that is taken out for a stated number of years, the face of the policy to be paid only in case of death before the expiration of the term. This kind of a policy is sold at a lower premium rate than the ordinary policy and is sometimes taken out for short terms by business men and partners to protect each other. A term policy has no value after its expiration.

Endowment Insurance. Endowment insurance is an investment form in which a company agrees to pay to the insured the full amount of the policy at a definite time, or to pay the amount to the beneficiary if the insured should die prior to the end of the endowment period. The mutual companies return, in addition to the amount, certain dividends or a portion of the net profit. Endowment insurance occupies a place similar to the savings bank, in that it encourages savings, and, when the companies have been properly selected, has proved very beneficial. From the standpoint of an investment alone, life insurance has little to commend it. There must be other and better reasons for insuring than the investment feature. The interest earned may be worth considering, but not when compared with the profit of other investments.

Industrial Insurance. This class of insurance differs in no particular essential from the ordinary life insurance. It is so called on account of the fact that it is sold to the industrial classes, who cannot afford or do not wish to take out a policy so large as one thousand dollars and who prefer to pay the premium weekly in small sums. This method of insurance is very expensive, the cost being nearly double that of the ordinary kind. It is frequently taken out on the lives of children and infants, which in some cases has proven very objectionable. Some benefits have undoubtedly been obtained by poor people who, through this character of insurance at the expense of ten or twenty cents per week, have assured themselves an amount sufficient to cover their burial in case of death.

"Old Line Insurance." Life insurance upon which the premium is fixed, not changing from year to year, but determined once for all by the age of the insured when he makes his first payment, and with a company which maintains a yearly increasing reserve or sinking fund to meet the claims as they mature, is called *old line insurance*.

Accident Insurance. Accident insurance is a form of insurance by which the person taking out a policy may recover from the company, in case of accident to himself, the payment of either a certain amount per week during the time of disability resulting from an accident; a given sum in event of accidental death; or lesser stated sums if the loss of a limb, or loss of sight, or a lesser permanent injury is sustained. The weekly payments are generally limited to a fixed number. The cost is not excessive, and this form of insurance has come into very general and satisfactory use, the amount outstanding on the books of the companies writing in America now running into the billions of dollars.

Fire Insurance. Fire insurance is the system of insuring against fire; also, a contract by which an insurance company undertakes, in consideration of a premium or small percentage—usually paid periodically—to indemnify an owner of property for loss by fire during a specified period. In New Hampshire and some of the Western states the *valued policy* law is in effect. This provides that the insured is entitled to collect the amount of the insurance on buildings in event of total destruction by fire, no matter what amount is placed thereon. It is thus incumbent upon the company not to insure buildings for more than they are worth. In most states, no greater

amount can be collected from the company than the proven loss, no matter how much insurance has been placed. Insurance for a short period, such as a year, costs more per year than for a term of three or five years.

Credit Insurance. Companies have been formed which insure manufacturers and wholesalers against any loss arising from selling goods on credit. The usual method is for the wholesaler to show his average loss for the past five years, and for the company to insure him against annual losses in excess of this amount. The amount of credit allowed to any one purchaser is dependent on the size of the policy and the rating of the debtor. The companies require under the conditions of the policy that accounts shall not be opened with customers who have not a commercial rating.

Title Insurance. This is a plan by which one may obtain insurance against any loss arising from an imperfect title to real estate. It is the business of the company to satisfy itself of the soundness of the title before issuing the policy. This form of insurance is very advisable for those purchasing mortgages or any property, and has largely taken the place of "drawing down an abstract."

Liability Insurance. There are companies which will insure a railway, manufacturing concern, or any other company or individual, employing a large number of people or serving the public in any manner where there is extra hazard, against any loss by accident or any suit for damages sustained as a result of such action. Most corporations carry employes' liability insurance, which insures in a very satisfactory way against liability for accidents to employes as above stated. This insurance is not expensive and is advisable.

Use-and-Occupancy Insurance. This insurance guarantees to the assured the use of the manufacturing building and the machinery of the insured plant in so far as such use may be interfered with by damage by fire, sprinkler leakage, explosion, or sometimes, breakdowns. The company agrees to pay to the assured a stipulated amount of money for the entire or partial interruption in the use of the building or machinery, or both, as measured by the product. This insurance extends over one year of three hundred working days, and is applied *pro rata* both as to duration and proportion of interruption. This class of insurance is quite as valuable to the manufacturer as, and perhaps more valuable than, fire insurance.

Besides the principal classes of insurance mentioned, it soon became evident that there were many other hazards which might be assumed, and which the public were willing to pay for, until now a person may obtain insurance on almost anything imaginable.

Marine Insurance. Ship owners have for many years insured their vessels and cargoes, even the famous trial from *The Merchant of Venice* resulted from Shylock taking the risk upon the safety of the ships and cargoes owned by Bassanio.

Tornado Insurance. The frequent occurrence of cyclones and hurricanes in certain portions of the country has occasioned the introduction of tornado insurance, which indemnifies the insured for any loss or damage occurring from this cause.

Lloyds. Lloyds of London is an organization of individuals who take up any imaginable risk for what is deemed a fair percentage. A singer can secure an insurance upon his voice, a musician upon his hands and arms, a merchant upon his income and upon his probable losses in uncollectible accounts, a broker against a panic, a citizen against the death of the ruler, a woman against the death or injury of her favorite dog, an owner of a race horse against its probable injury or death, and a thousand and one other things wherein a hazard may be figured.

THE SCOPE OF BOOKKEEPING

The scope of bookkeeping is such that the accountant occupies a very important position with the firm or corporation by whom he is employed, and his value is largely determined not only by his accuracy and attention to detail, but by his ability to furnish concise statements of actual conditions.

Books of account consist of a systematic and chronological record for the purpose of exhibiting the various transactions which have occurred in trading, and securing the daily, monthly, and annual results. All accounts are expressed in money, and their object may be briefly described as follows:

At a given date, the financial position of a merchant or a company is ascertained from the preceding year's accounts and presented in a summary statement which is termed the *balance sheet*; the transactions entered into during the succeeding year are then registered as they occur, posted to various accounts as indicated; the

financial condition at the termination of that year is again ascertained, disclosing an addition or a reduction of funds and of assets compared with the case which existed at the prior investigation. Between the two statements of financial conditions, the intermediate accounts act as an explanation, showing how and where the new condition has arisen out of the former one; hence, the balance sheet of one period is connected with the balance sheet of the sequent period by the intervening accounts, which disclose and explain any differences which may exist.

The nature and extent of the books of account employed depend very largely upon the character and scope of the transactions involved in the trade. A distinct account must be opened for every description of property or dealing in respect to which the merchant or company desires to ascertain the separate gains or losses. The cash book, the journal, the sales record, and other books of original entry are necessary to record the immediate transactions. The fundamental book is the ledger, and, in consequence of its final importance, other books are termed *subsidiary*, as their function is the registration of the facts which are necessary for a complete and accurate understanding of the various ledger entries. The balance proves the accuracy of the ledger postings.

INSURANCE ACCOUNTS

There are two classes of insurance accounts, one that must be kept by the parent company at the home office, and the other by the agency at the agency office. As the entire business of insurance is now done through the agency medium, it naturally necessitates general agencies of different companies, located in cities of importance, and various sub-agencies located at places of less importance. An insurance agency usually controls a certain territory and a number of sub-agents or sub-agencies from whom it receives reports, applications, renewals, and payments of premiums, and this agency must, in turn, make its report to the main office, or to the general agency of its jurisdiction.

As the necessity exists for the important data connected with the insurance business to be kept in accurate record for a number of years, and as there are many books necessary for comparative statements, averages, etc., it is quite true that the usual forms used in the

insurance office are much larger than those used in other lines of business. Wherever the sizes of forms are unusual, the loose-leaf system fits in admirably to simplify records and reduce labor.

If the sheet is very large, it follows that in procuring a bound book, the largest possible for use is the one usually purchased, and the consequence is that in many insurance offices the handling of these large volumes is equal to a course in athletics. As the loose-leaf special books are used with only a sufficient number of pages or sheets to last for one or two months—to be transferred, when completed, to an inactive book—it will be seen that no matter how large the page must necessarily be, the handling of these books is comparatively easy, and the results obtained on this account alone are much superior to the old methods.

Many companies have introduced the flat-platen typewriting machine and find that the advantages of its use for statistical work are very gratifying. This mechanical arrangement, traveling easily over a page of any size which may be laid flat, furnishes a record impossible to duplicate in any other way. Improvements have been introduced giving columnar and line stops so that figures follow absolutely consecutively and properly aligned without any mental effort on the part of the operator and with positive accuracy. A unique adding machine has been combined with this typewriter whereby all of the figures in one column or in several columns may be added simultaneously as written, and the proper total shown at the end of the computation.

As the business of an insurance company is to receive from its customers money which it agrees to pay back to its customers or to other parties having an insurable interest, accounting for this business is synonymous with that of the banking business. Banks agree to pay back to their customers upon demand or at a definite period. Insurance companies agree to pay back to the insured, his heirs, assigns, or beneficiaries, either at the end of a definite period or at the occurrence of certain damage or death.

As this is the case, the books of an insurance company should be kept in the same careful, consistent manner as those required for banking, and the daily balance of accounts should be maintained in a similar manner, although this is not required by law. Book-keepers in insurance companies are men of high character and most

diversified knowledge, and in no line of business will be found a better exhibition of high-class penmanship and actuarial ability.

LIFE INSURANCE ACCOUNTING

The first step in the line of life insurance is the signing of the application, which is synonymous with the order in the mercantile business, or the opening of an account in the banking business. As this is always done under the supervision of the agent securing the business, a description of the form and its use will be omitted until such time as the question of agents and agency is taken up, and the reception of the application at the home office will be first considered.

GENERAL OPERATIONS

Passing the Application. As soon as an application is received at the home office, it is sent to the office of the chief medical examiner, who makes a very careful examination of the risk as shown by the information given by the applicant, especially in regard to family history, and the statements made in the medical examination blank by the local physician who conducted the examination. If the application is found satisfactory, it is approved by the medical examiner and sent to the policy-writing department. If the application is rejected, the application is sent to the secretary's department with the reasons for rejection endorsed thereon. The agent must receive notification and, through him, the applicant is notified.

Writing the Policy. As soon as an approved application is received in the policy department, it is examined by the manager, and if it is correct in every detail, it is passed on to the policy writer, who writes a policy for the insured in accordance with the information given in the application, endorsing the policy number upon the application and filing it. This policy contains an exact copy of the application for insurance, together with the contract of the company with the insured. As this contract is somewhat voluminous it is unnecessary to give it in full, but it relates to the character of the insurance, beneficiary, payment of premium, incontestibility, annual dividend, loans, assignment, options on surrender or lapse, mode of settlement, tables of loan or surrender value, etc. The general form is similar with each company for each particular class of insurance, but the contract differs according to the plan selected by the insured;

as ordinary life (with regular payments until death), limited payment life (in which the policy is paid up in a certain number of payments), term insurance (where the insured is insured from year to year at a definite amount *per annum* for a certain number of years), endowment insurance (where the amount of the policy is returned to the insured within a definite time), and other variations too numerous to mention.

After the policy has been written, a notice or slip is made out as shown in Fig. 1, giving the important facts as noted in the applica-

POLICY SLIP		REGISTERED _____ AUDITED _____ ACTUARY _____
POLICY NO. _____		
NAME _____		RESIDENCE ST. _____
DATE OF BIRTH _____ AGE _____ CITY or TOWN _____		
DATE OF POLICY _____		AMOUNT \$ _____
PLAN _____		Annually _____ Semi Annually _____ Quarterly _____
PREMIUM \$ _____		
AGENCY _____		
REMARKS _____		

Fig. 1. Policy Slip

tion, the name, residence, date of birth, and age of the applicant, the date, amount, and plan of policy, the premiums payable, and any remarks necessary, with the number of the policy. This slip is sent to the bookkeeping department and the policy is sent to the secretary for his signature, and from him to the mailing department to be forwarded to the agency from whom the application was received.

All policies are numbered consecutively without regard to their classification. Sometimes the signatures of the president and secretary are printed in fac-simile on the policy, and the written signature of the registrar or policy writer is all that is necessary to make it a legal contract.

Registration of the Policy. The registration department—a part of the accounting department—attends to the registration of all policies, the keeping of the records of policy holders showing when payments are due and paid, and the notification to policy holders of the due date of their premium.

NUMBER					RESIDENCE	
DATE OF POLICY		AMOUNT	PLAN	AGENCY		
PREMIUMS PAYABLE			T	RESERVE	DATE OF BIRTH	AGE
REMARKS				HOW TERMINATED		

Fig. 2. Life Insurance Registration Card

Many companies have employed for the purpose of registration a policy register, which consisted of a large book, or several of them, in which were recorded the principle facts regarding the contract for insurance. It has been found of late years, however, that the card system of registering policies is far preferable. The facts as shown by the notice from the policy-writing department are entered upon a card, Fig. 2, 6×6 inches in size, having proper spaces for the date of birth, age, name, residence of the insured, the agency, the date,

number, amount and plan of policy, the amount and date of premiums, etc. These cards are filed numerically, according to the number of the policy, and a cross index is made on a simple alphabetical card giving the name and residence of the insured and the number of the policy. No record of payments is kept upon this index card, but if the contract is terminated—by lapse, maturity, or death—or if paid up insurance is issued, the facts are entered upon this index card. The

NUMBER				AGE			
RES.							
OCC.							
KIND	AMOUNT			ENTRY		EXIT	
HABITS							SPECIAL
A	B	C	D	18	18a	18b	
WEIGHT							
7	7a	7+	7a+	8			

Fig. 3. Policy Card for Actuary

		/ \$	
(at lin	AGE	BIB	

Fig. 4. Index Card for Actuary

policy slip then goes to the auditing department, and from there to the actuary to check against.

From the information on the index cards, a small card is made out for use in the actuarial department. This card, Fig. 3, contains the number of the policy, age of the insured, residence, occupation, kind of insurance, amount, date of entry, and at the bottom of the card are signs indicating habits and weight. For instance, in regard to habits, *A* might mean total abstainer; *B*, beer drinker; *C*, moderate drinker; *D*, family history bad as far as the use of intoxicants is concerned, etc. In regard to weight, *7* might stand for normal, *7a* below normal, *7+* above normal, *7a+* much above normal, etc. This information is for the use of the actuary in determining the percentage

of losses under different conditions. Another similar card, Fig. 4, simply giving the number of the policy, the amount of insurance, date, and age, is made out at the same time.

Collection System. At the time of making out the policy holder's index card, a collection or tickler card is made out showing the name and address of the insured, the number of the policy, the date of the policy, the amount and plan of the policy, the date of birth and age of the insured, the amount and date of payment of the premiums, with such other information as the collection department needs. This card is shown in Fig. 5. As premiums are collected either annually, semi-annually or quarterly, it is necessary to cover the entire year by these cards, and this is most conveniently done by making them up in four series; for instance, the March card, made up on salmon-colored paper, provides for payments falling due in March, June, September, and December. If the date of the policy is in June, it is entered upon a lemon-colored card, if in September, upon a blue card, and if in December, upon a white card. Similar series are prepared for policies taken out in January with payments due in April, July, and October, and also for policies taken out in February with payments due May, August, and November. By this means all of the payments due upon a certain month are shown by the color of the card used for that month. The date of the policy is also clearly expressed. On the back of this card, shown in Fig. 6, is kept a record of cash dividend, full paid addition to the insurance, addition offered, and loan value.

From the cards are made out the monthly notices of premiums due, directed to policy holder's address. This notice states that the annual, semi-annual, or quarterly premium of so much *on your policy, No.—, will fall due before noon on the — day of — and the same may be paid at the office of the agent of this company in —*. Then follows the signature of the secretary and the name of the agent and office where premiums may be paid.

After the notices for one month have all been written up, they are divided according to general agency, and entered upon a collection blank. This work is usually done by typewriter, and the entry made on the credit side of the blank for premium when due, name, cash dividend, other dividends, (annual, semi-annual or quarterly), number of policy, cash premiums, interest, premium notes, and total,

in Fig. 7. These lists are totaled, and the totals proven by comparison with the grand total of premiums due for the month, and the list, together with the notices and premium receipts, is sent to the general agency for collection.

It is often the case that premiums are paid direct to the home office. In making out the regular statements from the tickler cards, the home office should be treated as though it were an agency, and a full statement of such payments as are scheduled to be paid there entered thereon. This report is given to the cashier, who keeps his records of payments and makes his report in the same manner as has been laid down for general agencies. Any new business received direct should go through the same routine, as, in this way, there is nothing either in the way of new business or renewals that does not flow through the same channel.

Handling Collections. This method of handling collections, where such a vast number of them are necessary, is as simple as could be provided, for the original sheet containing the charges by the general agent against each name and amount as shown on the left-hand side for cash dividends, total charges, and commissions, must be returned intact (*with such premium receipts as have not been paid*) to the home office, and the policies upon returned receipts are immediately cancelled. Some companies allow thirty days' grace for the payment of a premium, in which case the amount is entered in the charge column, if unpaid, with a notation that it was a hold-over, and this unpaid amount of the collection sheet is returned the next month to the agent as a supplemental sheet. At the time when the collection sheet is sent to the general agent, the total amount of the premiums as represented thereon is charged through the agency charge journal to the agency, and credited to premium account. More information will be given of this sheet later.

The supplemental sheet used for entry of such "hold-overs" as appear upon the general agent's report is shown in Fig. 8. This sheet must be considered as a special, and returned as soon as possible, without mixing its charges or credits with those of the regular collection report. The amount as represented upon this supplemental sheet is charged to the general agency through the agency debit journal. This form, though similar in ruling to the regular collection form, has considerable additional matter upon it referring to the

[illegible]

Fig. 9. Notice of Error in Life Insurance Commissions

Supplemental Statement of Commissions. A supplemental statement of the commissions due the general agent is forwarded him each month. This statement applies to new business only. The heading is provided with space for general agent's name and the month. The box headings show spaces for the entry of the name of the agent, the month, the number of the policy, four columns for premiums at different commission rates, and a final column for total commissions. This statement is to be receipted by the agent, and is received as so much cash in the agent's report of his collections on new business for the month. This form is shown in Fig. 10.

and interest, as shown by this report, is charged to the general agent through the agency debit journal at the end of the month. The rules relating to new business should be known in the accounting department, and the most important ones will therefore be presented.

Delivery of Policies. A policy should be presented for delivery as early as practicable after its receipt from the home office; and always, if possible, by the agent who solicited the application.

If the premium is paid, and the receipt at the bottom of the application completed and given to the applicant at the time the application is written, the insurance is in force, provided the application has been granted and approved by the company. The insured is entitled to the policy under any circumstances except for fraud. If the premium was not paid at the time the application was written, the policy must not be delivered or the premium accepted, unless the applicant is still in good health. Should there be any doubt as to the health of the applicant, the agent must require a certificate of health to be submitted, together with all the facts in the case, to the company for approval and authority to deliver the policy.

Under no circumstances does the company permit a policy to be left with, or mailed to, an applicant for inspection in advance of premium payment, unless receipt for an inspection without alteration shall first be obtained from the applicant. It seldom will be necessary to leave a policy for inspection longer than a day or two, if at all; the ten days mentioned in the receipt is the extreme limit. At the end of that time, the policy must be paid for by the applicant or taken up by the agent.

If an agent accepts anything but cash in payment of the premium, he does so on his own account and at his own risk, and must report and remit the premium the same as if it had been paid in cash. The premium on any policy must be regarded by the agent as a trust fund, and promptly remitted according to his agency contract. Reports each month must include every policy placed in force since the last report, and must be mailed so as to reach the general agent in time for him to include the policies with his report of new work made to the company on the first day of the month next succeeding.

Policies Not Taken. If due diligence be exercised, it seldom will be necessary to retain a policy for delivery longer than until

the first report day, and under no circumstances must a policy be retained longer than the second report day after its receipt. If not then delivered, it must be returned to the company through the general agent, as "not taken," accompanied by a letter giving the reason for non-delivery.

REPORT MEMORANDUM			
REGULAR NEW WORK or SPECIAL)			<i>General Agent</i>
report for month of _____ dated _____			
	DR.		CR.
Remittances on acct. of this report.	TOTAL CHARGES (including dividends and commissions)	\$	TOTAL COLLECTIONS Total Miscellaneous Items
	(Date)		\$
to balance	\$		Balance, if any, to ap- ply on next report.
TOTAL REPORT	\$		\$

This memorandum, enclosed in remittance envelope,
must accompany **EACH REPORT.**

Fig. 12. Report Memorandum to Accompany Agent's Remittance

Report Memorandum. A brief memorandum, Fig. 12, is made out by the general agent and enclosed in his remittance envelope with his report, showing the total charges, including dividends and commissions and the different remittances he has made to the general office during the month, together with the one enclosed to balance the report on the debit side, and his total collections on the credit side. This report memorandum, after being *O. K.'d*, is kept by the cashier.

Agency Journals. There should be two agency journals, one an agency debit journal, and the other an agency credit journal. These books may be either loose-leaf or bound as preferred, but, as they are books of continuous entry, if they are used in loose-leaf the

SHEET NO

Fig. 13. Debit Agency Journal for Life Insurance Company

SHEET NO.

Am't carried forward

Fig. 14. Credit Agency Journal for Life Insurance Company

INSURANCE ACCOUNTS

sheets should be numbered consecutively when made, and follow each other in that manner in the make-up of the written journal. The ruling for the debit journal is as follows: on the right-hand side of the item space are columns for posting check, new premiums, renewal premiums, interest on notes, new commissions, premium notes, and miscellaneous items. On the left-hand side of the item

[illegible]

Fig. 15. Life Insurance General Agency Ledger

space are a folio column and a single debit column for total amount charged to each agency, as indicated in Fig. 13. The entries in this journal are made from the monthly collection sheet.

The agency credit journal, Fig. 14, has on the left-hand side of the item space, columns for premium notes, new commissions, renewal commissions, postage, sundry dividends, exchange, dividends applied, freight and express, new premiums, annuities, surrendered policies, miscellaneous items, and ledger folio. On the right-hand side of the writing space is a ledger folio column and a column for the total to the credit of the agency account. The entries to this

journal are made from the monthly reports of agencies, after they have been audited and approved.

General Agency Ledger. This ledger is most convenient in loose-leaf form, and should be similar to the four-column general ledger form for banks, Fig. 15. It should be used in a current binder or binders according to the number of accounts, subdivided by alphabetically tabbed indexed sheets. As one ledger is sufficient to carry five hundred accounts, there is small liability of a company requiring more than one ledger for their general agencies. The posting to this ledger is made from the debit and credit agency journals, and the cash book or the cash report sheets to be described later.

Life accounts being usually rendered monthly, it is highly desirable to check every account of the agency ledger against the special notice of error statement, Fig. 9, in order to verify the accuracy of the figures. The balance of the account in the agency ledger should be the same as shown on the notice of error statement.

Policy Alteration Book. A book which is closely associated with the technical working of an insurance office is that in which is noted all alterations or lapsed and cancelled policies. This is the source of certain entries which must be made. So far as general agency accounts are concerned, the particulars of lapsed or cancelled policies find their way into the credit journal through the periodical accounts rendered to the office. In most companies, some premiums are paid direct to the company, and some cancellations and lapses, especially of old business, come direct to the head office, and provision must therefore be made for their entry, in order to keep the account for premiums correct. The entries are first made in the alteration book, and the details are extracted by the accountant and entered in monthly entries in the main journal. After a policy has been issued for some time, it occasionally happens under certain circumstances that a correction in the age of the assured, or perhaps the exigency of traveling in prohibited areas, may necessitate an increase of premium. In such a case as this, the particulars are entered in the alteration book, and are also noted upon the description card of the policy holder and upon the collection card, with the date of the change.

The Main Journal. The main journal is used for all entries pertaining to the business of the home office not provided for in the other books in use. The monthly totals from other books should

be carried directly to the various accounts in the general ledger, when the totals are clear in the debit and credit agency journal and the receipts and disbursements of cash. The closing entries in the main journal are those outstanding which may be undischarged at the close of the year. The ruling on the debit side of the item column should show columns for mortgage loans, policy loans, surrendered policies, losses, matured endowments, general ledger, and posting.

The left-hand side of the item column should show columns for posting, general ledger, interest on notes, interest on mortgage loans, interest on policy loans, premium notes, mortgage loans, and policy loans. By using a sheet sixteen inches wide, this journal may be ruled on one page, but if wider spaces should be desired for the columns, as is frequently the case, it would be preferable to use a smaller book, and have the rulings as shown in Fig. 16 and Fig. 17 upon each side of the sheet, so that they would appear in the open book, one on the left-hand and one on the right-hand side.

The bookkeeper will find much more use for the journal in the insurance business than in a mercantile or manufacturing business, on account of the almost daily necessity for changes and adjustment entries. The entries made in the journal should be explicit, and fully cover the subject, so that there can be no possibility of misinterpretation. The correctness of the additions made in the journal should be proven by comparing the totals of one side with the totals of the other at the bottom of each page, and, if these totals fail to agree, there is some error in addition or entry.

The great aim of an accountant should be simplicity with efficiency, and he should always realize the desirability of using as few books as possible. Avoid all repetition by duplicating entries in the books of account where the details have already been entered in the books of record. The books of account in an insurance company are the cash book, the investment journal and ledger, the agency journals, the main journal, and the general ledger. All other records, whether for risks accepted, claims paid, register of agents appointed, alterations, or for any other subsidiary purpose, are books of record, and their use is quite necessary in many allied matters which arise in connection with the acceptance or underwriting of all classes of insurance.

THE CASHIER'S DEPARTMENT

The books necessary to be used in the cashier's department are:

- (1) General cash received.
- (2) General cash disbursed.
- (3) Detail cash received.
- (4) Detail cash disbursed.

The division of the cash records into general and detail books is advantageous from the standpoint of labor, and is also very convenient in the matter of posting, as the detail sheets may be turned over to the bookkeeping department without interfering in any manner with the labor of the cashier. This is very important in large offices where the bookkeeping department may be situated at a considerable distance from that of the cashier.

The forms as described are for use in a loose-leaf cash book, but if this is objected to, the same rules may be applied to a bound book. The objections to the loose-leaf cash book are entirely due to prejudice. The objectors do not appreciate or understand its many advantages. It is quite as necessary that a loose-leaf cash book be paged as it is for a bound book, and every page must follow in the same numerical sequence. This places it upon the same plane as a bound book, as no page could be abstracted without being discovered, any easier than if the book were bound by thread or wire. All loose-leaf records that run consecutively should be paged or numbered when made, as this provides (1) safety, (2) convenience in handling, (3) a safe folio reference in posting.

Detail Cash Received. By having a detail cash received book, or books, the labor in the cashier's department may be divided among several assistants. The cashier usually makes all the entries in the general cash from the totals of the detail sheets and from other sources. The ruling of the detail cash received sheet, which should be 14×14 inches, as shown in Fig. 18, is as follows:

In the heading, detail cash received, sheet number, and date are shown. If several assistants are employed, a line for assistant's name should also appear therein. The columns are for the entry of policy number, from whom received, amount received, general agency—contra columns for commissions, agency expense, dividends applied on premiums—direct premiums (new), direct premiums (renewal).

After the totals of this sheet have been entered in the general

cash and proven correct, the sheet may be sent to the bookkeeping department for posting purposes. After the postings have been completed the detail sheet is returned to the cashier's department and filed in its proper binder, each number following consecutively.

Some offices use an automatic register. Where this is done, the copy from the register can be sent to the bookkeeping department, as often as necessary, the postings made direct therefrom, and, by using the detail sheet to check against, absolute accuracy is assured.

Detail Cash Disbursed. The sheet for detail cash disbursed is used in a manner similar to the detail receipts sheet, but does not have to be sent to the bookkeeping department, on account of the fact that all of the disbursements are handled through the general cash book and posted monthly to the general ledger from the totals.

Every disbursement of an insurance company must have a voucher as its authority. Where these vouchers emanate from other departments, they are kept on file by the cashier, but for such disbursements as are made direct by the cashier, such as postage, exchange, freight and express, and miscellaneous expense, the cashier himself should make a voucher for the files before paying out the money, which voucher should be signed by the person receiving the money. The vouchers for all payments must be checked by the auditors at their periodical examinations, and the reference number will be found a great convenience in many ways.

The ruling for this sheet, as shown in Fig. 19, is as follows: in the heading, detail cash disbursed, sheet number, date, and space for the name of the handling cashier. The form has spaces and columns for the entry of check number, voucher number, amount, and to whom paid, salaries, wages (office and miscellaneous), postage, exchange, freight and express, stationery, commissions, agency expense, and dividends applied on premiums—the three latter from the detail cash received contra columns.

It will be noted that this detail sheet does not cover the major payments or disbursements, but is intended as a petty cash, or supplementary, book, which will avoid a very large number of minor entries being made in the general cash book. The totals of all of the columns as noted in the detail cash (disbursed) for the day are entered daily in the general cash. The cashier should provide the assistant who handles this department with sufficient money each day, which amount

INSURANCE ACCOUNTS

General Cash Received. The general cash book, or cash books, for both receipts and disbursements are kept by the head cashier. The method of entering the totals from the detail cash has already been described. Payments of interest on mortgage loans, policy loans, and premium notes made to the company are entered direct, as are also investments repaid, policy loans repaid, mortgage loans

[illegible]

Fig. 21. Folio Form of General Cash Received Sheet

repaid, receipts from premium notes, rents, real estate, and other sources.

The loose-leaf sheet, as shown in Fig. 20, provides for the sheet number and month, and has space and columns for the entry of the date, item, amount, posting check, agencies, new premiums, renewal premiums, interest (mortgage loans, policy loans, premium notes), investments repaid, policy loans repaid, mortgage loans repaid, premium notes paid, rent, real estate, and general ledger.

At the end of the month, totals of all columns are carried into the general ledger column for posting purposes. The column providing for a posting check after the interest column is to be used in asso-

ciation with the investment ledger, as this ledger is subsidiary to the general ledger, and is only used as a means of furnishing details in connection with its contents. Thus, each month, the total interest received is carried to the general ledger column and credited to its proper account, as are also the totals of the loans and notes paid columns, but each day the details of interest received should be credited to the interest section of the account to which it belongs in the investment ledger, and the daily entries of investments or loans repaid should also be posted therein. This sheet will of necessity be large, it being practically impossible to make it less than 16×20 inches, except it be folioed. In Fig. 21 is shown this sheet made up in folio form. Whenever it is desirable to reduce the size of the book, a sheet may be divided in the center and, by ruling and printing a part of the matter on the reverse side, the book when open will show the full sheet. This is what is meant by the *folio form*.

It will be unnecessary to go into the details of the general handling of the cash by the cashier, as these requirements are usually laid down by the officers or directors of the company, and do not materially differ. It will be well to state, however, that every dollar received should be deposited in the bank, and every dollar disbursed withdrawn from the bank account by check. It is usual for insurance companies to use several banks for banks of deposit, but it is better to make all the withdrawals in connection with the business from the same bank. The method of vouchering and registering checks will be taken up later.

General Cash Disbursed. It is the custom of life insurance companies to distinguish between claims by death and endowment insurance matured. The payment of dividends is an important matter among mutual companies. When the company has an available surplus divisible among its policy holders, it gives them the choice of deducting the amount of the dividend from the premium which they are paying, or using it to purchase additional insurance. If the dividend is deducted, it becomes a disbursement by the company, while if additional insurance is purchased, it shows as a disbursement and also a receipt, as the amount is credited the premium account.

According to law, all companies must now print within their policies the positive cash surrender value at different periods. Sometimes policy holders wish to relinquish their policies because the cir-

cumstances which occasion the policy being taken out have ceased to exist, or the assured through stress of financial difficulties cannot afford to continue payment of premiums. There are, of course, further reasons why policies are surrendered which are not necessary to state more specifically than is indicated in the two preceding general causes.

Most life insurance companies are now issuing an annuity policy or, in their regular life insurance policies, giving the annuity option. By this proposition, instead of paying the full amount of the policy at its maturity, a specific amount is paid each year to the beneficiary either during life or for a stated number of years. While this series of payments takes the place of the payment of a death claim entire, or matured endowment, it is necessary to classify it separately.

Almost every company occasionally accepts risks for a larger amount than it desires to carry upon one person; in which case, it re-insures in other companies such portion of the risk as it desires. The column in the distribution of cash paid out used for this purpose is subdivided with a contra column to show the commission which is deducted from the premium payable to the re-insuring company. The check is drawn for the net amount. Although the gross amount is charged against the premium income, the re-insurance account is debited and commission account credited with all such reductions.

Investments—All moneys paid out for investments, whether for the purchase of bonds or stock, for loans on free-hold or lease-hold property, or upon personal security, or the purchase of real estate, or the purchase or erection of buildings for the company's use, or for rental purposes, are to be entered in this column as the payments are made.

The column devoted to policy loans is very important, as this item is one which frequently embraces a large number of transactions. It is frequently the case that the insured wishes to make a loan to meet an immediate financial requirement, and if the surrender value of the policy shows a sufficient amount, a loan is granted on the security of the policy at a remunerative rate of interest to the company, without surrender of the policy. Such loans are often made to enable the insured to pay premiums falling due, rather than to allow the policy to lapse. It is therefore necessary under all circumstances to have every loan, direct or indirect, that is made upon a

policy, clearly shown as a cash advance. A form will be shown later for the registration of policy loans.

In the column headed *Losses* must be entered all death claims paid, and in the column headed *Matured Endowments* must be entered the amounts of all such policies that have been matured and paid.

The entries in the expense column are made up from the daily detail sheet, the total amount only being entered in this column. A daily recapitulation sheet of the totals of the different columns of the detail sheet should be kept to show the monthly analysis of the expense column in the general cash. This recapitulation may be kept upon one of the daily forms for detail disbursements, one line being used for each month, or, if a special form is made up for the purpose, it should follow the general arrangement of this sheet.

Cash Disbursement Form. The cash sheet for the record of general disbursements should be in folio similar to that of the cash received. The front and the reverse sides of this sheet are shown in Fig. 22 and Fig. 23. The sheet should be 14×14 inches in size, and show in the heading the sheet number and the month and year. The columns are ruled to accommodate the date, check number, voucher number, item, amount, losses, matured endowments, surrenders, annuities, re-insurance—contra, commission, premium—investments, mortgage loans, policy loans, expense (see detail), commissions, agency expense, dividends, posting and general ledger columns.

If the loose-leaf system is used for the cash service, the best binder for daily use, for the detail cash and also for the general cash, is a spring-back holder, flat opening, which will contain all of the sheets necessary for immediate use. Some cashiers prefer the sectional-post binder for this purpose. This binder may also be used for the general cash receipts and disbursements, but a separate binder should be provided for each class of entries, and the general book should contain a sufficient number of leaves to last for at least one month.

After the completion of the entries for the month in the general cash, or the completion of the proper entries and checking of the detail cash sheet, these sheets are consigned to their proper sectional-post transfer binder, where they remain in consecutive sequence for reference whenever needed. By having the transfer binders labeled on the back and upside-down, and reversing the sheets as they are placed

in the binder, the sheets are always found in consecutive numerical order. This process makes the back of the binder its front as far as the use of the book is concerned for reference purposes.

Life insurance is conducted upon practically a cash system, and, therefore, the cash books covering the receipts and disbursements are practically a complete record of the transactions. In this respect the business resembles the banking business.

		/\$	
{at in	AGE	B.18	
CANCELLED			
	Date of Lapse		
Agcy. _____ Res. _____			

Fig. 24. Actuary's Record of Cancelled Policies

		/\$	
{at in	AGE	B.18	
CHANGED			
New Terms		\$	
{at in	AGE	B.18	
Agcy. _____ Res. _____			
Premium, etc. _____			

New Form _____			
C.P.B. _____		Page _____	
Name _____			

Fig. 25. Actuary's Record of Changed Policies

ACTUARIAL DEPARTMENT

An *actuary* is a person skilled in the theories and mathematical calculations upon which life insurance is founded and conducted. He computes mathematically the reserve upon policies, premiums, surplus, and dividends, and performs any other mathematical calculations needed in practice of the company. The study of death rates has always been, and must continue to be, a very important item of service performed by the actuary, and the measuring of probabilities based upon his calculations is one of his most important duties.

He has a large number of assistants in his department, and calls to his aid practically every device of a mechanical nature that has been invented to lighten the task of computation.

In his department he carries a card list of the policy holders, made up from information received from the policy department, and upon which is entered at intervals such necessary individual computation as loan values, special surrender values, and company

		/\$•	
(at in	AGE	B.18	
SURRENDERED			
Value			
\$ _____ applied on No. _____			
On Full Paid Policy No _____			
Agency _____			
• _____ addition in Red			

Fig. 26. Actuary's Record of Surrendered Policies

		/\$•	
(at in	AGE	B.18	
CLAIM			
Name			
Date of Death			
Proofs Rec'd			
Last Prem. paid.			
Agency			
Memo No.			
• _____ Addition in Red.			

Fig. 27. Actuary's Record of Claims

liability, as may seem necessary. From the cards listing policy holders, various data is obtained from time to time in regard to cancellations, changed policies, surrendered policies, and claims. This data is shown upon small cards as reproduced in Figs. 24, 25, 26, and 27, in their actual size. In order to arrive at the different calculations, these cards are assorted according to age, and the computations made. The dividends due to the policy holders are computed by the actuary, but the detail is worked out through the dividend department.

Forms and Rate Books. The actuarial department is responsible for all of the forms for company use, such as applications, amendments, and illustration blanks, besides descriptive pamphlets and policy forms.

Most policies written have a printed table of guarantees on a basis of \$1,000.00 and explanation of the use of the table on a *pro-rata* basis, but on some of the less common forms, it is necessary to write the guarantee. This is done in the actuarial department from tables prepared for the purpose. This sheet is then checked and forwarded to the policy division. After the guarantees have been copied in the policy, the sheet is filed with the application, that the figures written in that particular policy may be ascertained at any time.

Mortality Calculations. A very important division of the actuarial department is that devoted to the study of mortality in those states or sections of the United States where the mortality is higher than the average; to the study of mortality in all tropical and semi-tropical countries; to the study of mortality in extra hazardous occupations; and especially to the study of those who have inherited special traits or are addicted to the use of stimulants or narcotics.

Annual Statements. A few years ago it was a comparatively easy matter to make up the annual statement of an insurance company as it followed set lines which had been long established; but, beginning with the year 1907, owing to new legislation in various states, an immense amount of additional work has been required for the various schedules demanded. Most of the states desire the report on "paid insurance" while others adhere to the old form and want the report of "insurance written" which includes all of the reported, unreported, and not taken policies for the accountancy year. Some states require a special account of gain and loss, more like a revenue statement, as it must not only show the profits but how they were derived and how disposed of. All of this work must be done in the actuarial department and usually within a specified time. Besides, companies who do business in foreign countries must render a report to each country which is entirely different in arrangement and information from those required by the different states. The requirements of each foreign country differ from those of the others, to such an extent that each must be treated separately.

THIS PAPER IS IMPORTANT.
DO NOT MISLAY OR DESTROY IT.

It should be completed in accordance with your selection and delivered to the Agent when the premium is paid.

THE NORTHWESTERN
MUTUAL LIFE INSURANCE COMPANY
MILWAUKEE, WIS.

The dividend due _____ 1909, on policy

No. _____ and which may, if desired,
be applied toward payment of premium for the year,
will be - - - - - \$ _____

(If premium is paid semi-annually or quarterly, one-half or one-fourth of above amount, as the case may be, will be allowed in reduction of each installment or premium.)

The above dividend would purchase a full-paid
addition to the policy of - - - - - \$ _____

Please indicate on this sheet your choice of a method of applying dividends and return without fail to the agent with your remittance for the premium.
C. A. LOVELAND, Actuary

NOTICE OF CHOICE—DO NOT DETACH

Secretary Northwestern Mutual Life Insurance Company.

DEAR SIR: You will please apply above dividend, and all future dividends until otherwise ordered, to the

Sign According to Choice { *Payment of Premiums, receipt of first annual dividend \$ _____*
being hereby acknowledged.
SIGN IN INK.

Purchase of full paid additions to policy.
SIGN IN INK.

Fig. 28. Notification of Dividend to Policy Holders of Mutual Company

DIVIDEND DEPARTMENT

The work of the dividend department is to notify policy holders and agencies regarding the amount of dividend due and payable upon accruing premiums, and, as the policy holder has several options in regard to the application of this dividend, it also becomes necessary for this department to see that his wishes are carried out.

<p>THE NORTHWESTERN</p> <p>MUTUAL LIFE INSURANCE COMPANY</p> <p>MILWAUKEE, WIS.</p>	
<p><i>On payment of the Renewal Premium due</i></p> <p>_____ 19_____, on Policy No. _____</p> <p><i>the dividend for that date will be applied as stated below :</i></p>	
<i>Dividend,</i>	- - - - - \$_____
<i>Part of which will be applied to pay</i>	
<i>Interest on Notes of \$_____</i>	\$_____
<i>The remainder being endorsed on Notes,</i>	\$_____
<i>Amount of previously outstanding Notes, \$_____</i>	
<i>To be endorsed as above, - - -</i>	\$_____
<i>Old Notes remaining, - - -</i>	\$_____
<p>C. A. LOVELAND, Actuary</p>	

Fig. 29. Dividend Notice when Premium Notes are Given

One of the first necessities of this work is a notification to the policy holder of the amount of dividend accruing on his policy, and to ascertain his wishes in regard to its application; for this purpose the blank form, Fig. 28, is used.

Where premium notes have been given for payments by the policy holder, the blank form, Fig. 29, is used. Where the dividend is paid in cash by deducting the amount from the premium, the general agent is required to secure the receipt of the policy holder, Fig. 30, and return it to the home office with his report. If a policy holder

elects to purchase a full paid addition to his policy, and so signifies by written notification to the company, a certificate of additional insurance is forwarded to the insured. In Fig. 31 is shown such a receipt for tontine dividend.

Tontine insurance is a life insurance contract which provides that all payments made by the insured and all accrued profits shall


<p>THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY MILWAUKEE, WIS.</p>	
<p>.....19.....</p>	
<p>RECEIVED FROM</p>	
<p>THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY</p>	
<p>by.....</p>	<p>Agent</p>
	<p>.....Dollars</p>
<p>in full for.....</p>	
<p>dividend of 19....., on Policy No.</p>	
<p> Sign in Ink.....</p>	
<p>The agent will please return this sheet with the receipt above duly filled out and signed.</p>	
<p>C. A. LOVELAND, Actuary</p>	

Fig. 30. Policy Holder's Receipt for Dividend

be forfeited, and the contract terminated upon the non-payment of any premium when due. Sometimes this term is incorrectly used to designate deferred dividend policies which have both cash surrender and paid up values. These policies are *semi-* or *free tontine*, being tontine only as to their dividends, which are lost to the insured in case of death or lapse. The insurance laws of various states have become so stringent in requiring the protection of the policy holder against total loss by lapse that the tontine business is rapidly passing away,

but most companies have more or less of that business still upon their books.

Notices of dividends accruing to policy holders are forwarded to the general agency where the collection is to be made. The form used is similar to that shown in Fig. 32. There are several of these blanks covering cash, double dividend, dividend addition (annual, quarterly, or semi-annual) respectively, and these notices are designated by a slight difference in wording and by being printed either upon different-colored paper or in different-colored ink. In this

ADDITIONAL INSURANCE	POLICY NO. _____	THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY	ADDED \$ _____
	CERTIFICATE OF ADDITIONAL INSURANCE		
	IN CONSIDERATION of _____ Dollars,		
	being the amount Dividend due _____ / 19____ on Policy No. _____		
	Insuring the life of _____ the addition of _____		
	DOLLARS is hereby made to the amount of said Policy from and after this date, subject to all the terms and conditions contained therein, except the payment of premiums or forfeiture for non-payment.		
	Milwaukee, _____ 19____		
	_____ Secretary		_____ President

Fig. 31. Receipt of Policy Holder for Additional Insurance

department are also found blanks for notification of annuity due, annuity receipt blank, dividend receipt blank, receipt for option settlement, notice of accumulated dividend, notice of addition called for, and various other necessary forms. In case full paid additional insurance is selected by the policy holder, a medical examiner's certificate is necessary, showing that the insured is in good health and is a safely insurable risk, as Fig. 33. If this certificate cannot be furnished, the company insists upon the application of the dividend to the reduction of the premium.

CLAIM DEPARTMENT

The claim department has for its principal duty the approval and final passing upon the evidence submitted as "proof of death." For this purpose there are several voluminous statements. The proof

of death requires the name of the deceased, residence, occupation, place and date of death, identification, circumstances relating to the cause of death, any known inconsistencies in the statements and the application, any violations of any of the conditions of the application, date of the premium last paid, amount, whether annual,

Cash, **DOUBLE DIVIDEND**

Annual Dividend, _____ \$ _____

190

Addition.

Dividend Addition of \$ _____ to be made

Policy No. _____

Annual Dividend, _____ \$ _____

to be deducted from annual premium due _____ 1909,

on Policy No. _____

Dividends applied to payment of semi-annual or quarterly premiums will be allowed in installments corresponding with the premium payments.

Fig. 32. Notice of Dividends Accruing to Policy Holders

semi-annual, or quarterly, and a certification of the proof. This statement must be signed by the agent, and countersigned by the general agent.

The claimant's statement covers all of the questions necessary to be asked in connection with the death of the insured and with the claimant under the rights of the policy. This statement must be sworn to before a notary public. Attached to, and a part of, this statement are the records of the connection of the attending physician,

Experience shows that the most satisfactory mode of applying dividends is to purchase additions.

NOTICE OF CHOICE

Secretary The Northwestern Mutual Life Insurance Company.

DEAR SIR: You will please apply dividend as stated on the first page of this notice, and all future dividends to the

Payment of premiums, until otherwise ordered, receipt of first dividend being hereby acknowledged.

Sign in Ink

Purchase of full-paid addition to policy until otherwise ordered, such additions to be subject to all the conditions of the policy except payment of premiums.

Sign in Ink

Please Sign According to Choice

B.

MEDICAL EXAMINER'S CERTIFICATE

To be furnished if dividends are desired to be applied to purchase full paid additions to policy.

NOTE.—The physician's charge, if any, must be paid by the policy holder.

Agency **THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY**

At.....19.....

TO THE OFFICERS OF THE COMPANY:

GENTLEMEN: I have this day made a careful physical examination of.....

who desires to have the dividends on this Policy No..... applied to secure additional insurance, and I find him in.....

(Insert "robust," "fair," or "poor," as the case may be.)

health, with a.....constitution, and do.....

(Insert "strong," "medium," or "feeble.")

(or do not.)

recommend him as a safely insurable risk.

Signed,

.....
Medical Examiner for the Company

Fig. 33. Notice of Choice of Application of Dividends and Medical Examiner's Certificate

RECEIPT IN FULL

Received _____ 19__ of THE NORTHWESTERN MUTUAL
LIFE INSURANCE CO., _____ Dollars
in full of all claims on its Policy No. _____ and final (P.M.)
dividend _____ thereon, on the life of _____ deceased.

IN THE PRESENCE OF

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Signatures to Receipts must in all cases be Witnessed by the Agent, or by
some person known to him, or authenticated before a Notary Public under seal.

*This Receipt should be executed ex-
actly as above indicated.*

PLEASE ACKNOWLEDGE RECEIPT BY
RETURN MAIL

THE NORTHWESTERN MUTUAL
LIFE INSURANCE CO.

Milwaukee, _____ 19__

Dear Sir:
Enclosed find _____ etc, as per statement annexed,
to pay Policy No. _____ and final (P.M.) dividend _____ thereon, on the life of
_____ deceased.

After obtaining the Policy _____ with the receipt on the page
opposite, duly filled, signed and witnessed as indicated, you will please
deliver the above to the part _____ named as payee. In the
The Policy and Receipt must be forwarded to this office without delay.

Yours truly

Supt. Claim Department

STATEMENT

Premium Notes	\$ _____
Interest on do.	\$ _____
Deferred Premiums	\$ _____
Discount on Dividend (which will not become due until _____)	\$ _____
Cash Policy	\$ _____
Dividend	\$ _____
Total	\$ _____

Fig. 34. Statement and Receipt to Accompany Payment to Beneficiary of Life Insurance Policy

undertaker, and an acquaintance of the deceased. Each of these statements must be sworn to before a notary public.

In case the beneficiary named in the policy is dead, the company requires two out of the three following certificates: those of the physician, undertaker, and clergyman. The company also requires an affidavit as to the heirs.

Upon the approval of the proof of death by the head of the claim department, a statement of approval and a receipt is made out to be forwarded to the general agent and presented to the heirs for their signature. This statement and receipt, Fig. 34, is accompanied by a check covering the amount of the claim. The receipt is a simple receipt in full for all claims against the company covered by the policy in question; and, upon the portion addressed to the general agent, there is a statement showing in full how this amount is obtained. This statement shows any premium notes that may be in the hands of the company, interest due upon the same, deferred premiums, discount on dividends not due, and cash to balance full amount of the claim, etc.

Payments on matured endowments are forwarded to the general agency nearest the home of the insured, and the same routine as followed in case of death is followed in the payment of an endowment claim.

AGENCY DEPARTMENT

The agency department has full charge of the field agents and territory of the company. Most companies divide their territory, and assign a certain portion to a general agency, contracting with the general agent in such a manner that it will bind him and make him responsible for the proper and thorough working of the territory assigned him.

The general agent's contract is a voluminous document, first describing the territory wherein the general agent is allowed to operate, and stipulating the conditions thereto. As these agents are uniformly employed upon a commission basis, there follows a schedule of the commissions to which he shall be entitled and which he shall receive on the first year's premium, and usually a certain renewal commission upon premiums paid from the second to the tenth year, both inclusive.

Following the general contract are the restrictions of the company, and instructions concerning anti-rebate, no brokerage, collection fees, removal of insured, extra-territorial business, commission changes, commissions on changed policies, premium default of more than one year, commissions to be refunded, offsets to commissions, no assignment, fees and supplies, remittances and reports, bond, development of territory, agents, indemnity, archives, applications, exclusive work, rules and instructions, termination provisions, com-

missions after termination, and waiver.

	Agent
With	
CONTRACT	

Fig. 35. Agent's Contract Card

After a contract has been completed with the general agent, a card, Fig. 35, is made out for the agency department, showing the name of the agent and the contract, and is kept in alphabetical arrangement. Another card is made out covering the date of contract, length of contract, first policy issued, with

renewal interest under the contract, commissions, and field, Fig. 36. This card is usually filed alphabetically, by state and town, and is made up 6×8 inches in size.

SUMMARY

While it has been impossible to go into minute detail of the various departments of accounting and its allied departments in the home office of a life insurance company, the information given will be found to cover the most important points. On account of the fact that the business is entirely one in which money is the chief commodity handled, the cashier's department is first in importance. It is sometimes difficult to estimate which is the most important wheel or section of a complicated piece of machinery, as the destruction or disablement of any one piece will stop the machine. It is thus with the office of a large insurance company. The detail

and care that is common to one department must extend into every other.

INVESTMENTS

Under certain laws of the state wherein the home office of a life insurance company is located, its funds must be specially invested for the benefit of its policy holders. Should, by any misfortune, the available funds of the company be insufficient to meet its losses, the policy holders have a right to any other funds or investments of the company, and recourse upon the owners of its capital stock.

DATE of CONTRACT	LENGTH of CONTRACT
FIRST POLICY ISSUED (WITH RENEWAL INTEREST: UNDER THIS CONTRACT:	
COMMISSIONS	%
FIELD	

Fig. 36. Agency Contract Card

It is usual to make all investments of an insurance company under the name of a body of specially appointed trustees. It is therefore necessary to keep a set of books devoted particularly to the investments made by the company, which are largely policy loans, purchases of bonds, approved securities, mortgage loans, real estate, and buildings.

For the purpose of keeping a record of these transactions in full, it is necessary to have an investment journal and an investment ledger, wherein the detail of all such matters is kept. It may appear at first sight wrong to debit in two separate ledgers the same amount—

space, posting column and columns for interest, miscellaneous expenses, dates due and paid. The posting for the principal amount of the investment or the repayment of the same, comes from the cash book. If there should happen to be any credits which are not cash (unusual), they are brought into investment ledger through the general or main journal. The investment journal is used principally to take care of the interest payments falling due monthly, quarterly, semi-annually, or annually, and as they become payable, they should be entered therein, and posted to the debit of the proper account.

Investment Ledger. The purpose of this book is to contain a separate account of each investment, giving a history of the principal sums advanced on mortgages, bonds, collateral, or for real estate or buildings, with the full particulars regarding the investment. It will be seen therefore, that not only the sum advanced should be entered, but as many lines as necessary used in the item space to fully cover the transaction. The credit side covers the repayments, the postings being made from the cash book. The lower half of the page is given to the interest entries, the debits being brought from the investment journal and the credits mainly from the cash book. This is shown in Fig. 38.

The monthly total of the interest as shown in the investment journal is debited to the various accounts opened in the investment ledger, and the total thereof is also debited to investment ledger controlling account and credited to *interest revenue account* in the general ledger.

The Balance Sheet. The balance sheet should show the accounts practically as shown in the statement to the Insurance Department. The general ledger carries all of these accounts and the accounts of the general agencies department, which must be debited in the first instance with premiums as shown by the entries taken from total collection sheets and entered in the debit agency journal. In order to prove the accuracy of the branch and agency accounts, a controlling account is opened in the general ledger, to which all charges and all credits are made, and the balance as shown by this account will show the total of the outstandings as indicated upon the correction and error sheets forwarded with the succeeding month's statements.

Accounts should be opened in the general ledger for new premiums receivable and renewal premiums receivable at the main

Sheet No. _____ INVESTMENT LEDGER
LIFE INSURANCE COMPANY

[illegible]

CR.

[illegible]

Fig. 38. Investment Ledger of Life Insurance Company

office. Monthly totals of cash received at the main office upon these items will be credited this account, and the balance will show the amount of "home" premiums outstanding at any given period.

Claims paid during the year and endowment insurance maturities, surrender values paid, annuities, re-insurance, etc., are always paid or provided for with exact promptitude. But, where in some instances the payments falling due up to the end of the year have to be carried into the ensuing year, it is customary to make a journal entry debiting these accounts respectively and crediting an outstanding account. The same course is followed in regard to accrued commissions unpaid, the total being charged to the commission account and credited to a special account called *outstanding commissions*. When the balance sheet is prepared from the ledger and the books are finally closed for the year, it is usual upon reopening them for the next year to write off these provisional accounts, since they will all be very likely to be paid in cash as they become due.

With some variations, the method of conducting the accounting business at the home offices of fraternal and beneficial associations is practically the same as has been given. Fraternal associations do their business through lodges, councils, or chapters, each subordinate organization taking charge of the business of securing new risks, collecting old risks, procuring proofs of death, and delivering payments, in a like manner to the general agents of a regular company. There are no agents or agencies, and no commissions are paid, as a rule, in fraternal organizations, therefore the expenses of the companies operating under this plan are considerably less than those of old line companies. All fraternal insurance is tontine, and carries with it only insurance during the term paid for. Any forfeiture or lapse of the policy results in the total loss of all that has been paid in by the insured. Most benevolent organizations allow a reinstatement under certain conditions and within a limited time. The question of the bookkeeping and forms for fraternal organizations will be omitted, except for a model ledger page which may be used at the home office or at any of the subsidiary stations. This is ruled to keep the record for ten years, and may be used either as a loose-leaf book or ruled and printed on cards and kept as a card ledger. This form is shown in Fig. 39.

GENERAL AGENCY

The business of a general agency is to cover and work thoroughly the territory assigned to it, to appoint and oversee district and local agents, and to keep all the records of transactions with them. This makes the general agency an office of considerable detail, and in order that the expenses of running the office shall be as small as possible, the system should be simple and concise, with a minimum of labor.

This office has to keep a record of applications, policies issued, collections of premiums, volume of business written by each individual agent, commissions due them on new business, deferred premiums, and renewals.

The application of the insured is the beginning of business with the company, and is usually secured through an agent or broker. This application is the request of the applicant for a certain amount of insurance under a stipulated plan, for which he agrees to pay a certain amount of money annually, semi-annually, or quarterly, for a certain term of years or for life. The application naturally requires a full history of the applicant and his family, his habits, and physical condition. This latter is further proven to the company by a medical examination by certain examiners appointed by the company itself.

Application Register. As the application is the initial step in securing insurance, the registry of the application in a proper manner is the first thing necessary after its receipt. The form, Fig. 40, must give a complete record of the application, and the kind and amount of policy applied for. The ruling for this register is as follows: number of application, number of policy, name of applicant, beneficiary, residence, age, class of policy, amount, premium, date of medical examination, date forwarded to company, date policy received, and name of agent. The full particulars of the application are entered upon this register immediately upon its receipt. After the medical examination has taken place, the date and name of the medical examiner are entered. The application is then forwarded to the company and the date of forwarding entered. When the policy has been received, the number of the policy and the date received are entered, completing the description. If the applicant is rejected, *rejected* is written in red ink under number of policy.

Policy Register. As soon as the policy is received by the general agent, it should be recorded in a policy register, giving details as

follows: number of policy, date of policy, name of the insured, name of beneficiary, occupation, residence, age, class of policy, whether annual, semi-annual or quarterly, amount, premium, and agent, as in Fig. 41.

As these two books, or registers, are books of continuous entry, it is not necessary that they be in loose-leaf form, although they can be used in this form very acceptably. If made in loose-leaf the binders to use are the same as for the cash-book service, namely, a flat-opening spring-back holder for current work and a sectional-post transfer binder for completed pages. The sheet number should be printed at the time of the printing and ruling, and follow consecutively.

Some agencies also keep a record showing the amount, beneficiary, policy number, and kind of policy, premium, and when due, with columns repeated for the year, premium, and dividend, Fig. 42. This register or record will care for a policy for 32 years, if paid quarterly, so that the use of more than one sheet for one policy number seldom or never exists.

Agency Collection Record. Besides the new policies which are received from day to day, the general agency has to look after the collections on all renewals within its district, as described in the collection department of the home office. A careful record must be kept of all cash collected for the company for policy loans, premium loans, and dividends; for this purpose, a form is used covering the number of the policy, premium when due, when paid, and when reported, name and address, whether annual, semi-annual or quarterly, commissions (per cent and amount), amount of premium, premium loans, interest, whether paid in cash, paid by dividend, or added to policy loan, cash received, premium, dividend, premium loans outstanding, renewal notice sent, and remarks. The regular report is filled in from the records of this book. The form is shown in Fig. 43, and the binders, if used in loose-leaf, are similar to those described for the policy register.

Cash Book. The agency collection register furnishes a full record of the cash receipts; consequently, no cash receipts sheet or book other than this need be kept. It is necessary however to keep a record of the cash disbursements, for which should be used a sheet of the following form: in the heading, cash disbursed, sheet number,

general agency, month of; and in the box heading, day, check number, paid to, company, agent's ledger, commissions, office help, postage, miscellaneous expense, and general ledger. This form is shown in Fig. 44. All of the disbursements of the business should be by check, the petty cash expense being carried by imprest account as has been described. In a small agency, it might not be

[illegible]

Fig. 44. Cash Book for General Agency of Life Insurance Company

necessary to carry more than one ledger, in which case the agent's ledger column would be omitted, and the money paid or advanced to agents would go into the general ledger column and be posted therefrom direct to the agent's column. All amounts collected must be credited to the company's account in the general ledger and all amounts paid out for the company charged to that account, either from the cash book direct or from the monthly report. An ordinary journal may be used to enter the summaries from the regular monthly report which are chargeable to the company, and such amounts, when charged to the company, should be credited to the proper account.

Policy Holder's Detail Card. The records in the policy register are entered in numerical sequence, chronologically, and many inquiries in relation to their policies are received from policy holders, in which the writers fail to give the number of the policy. It is therefore necessary to have a descriptive record card for each policy holder, which shall be filed alphabetically and which may be referred

Name _____		Policy No. _____	
Address _____			
Date of Policy _____		Premium Payable _____	
Kind of Policy _____		Age _____	
Born _____			
Premium _____		Amount _____	
		Annual	Semi Annual
			Quarterly
Beneficiary _____			
Assigned to _____			
		Date	How
Ceased _____			
Extended to _____			
Agent _____			
Remarks _____			

Fig. 45. Policy Holder's Record Card

to instantly. This should show the number of the policy and render the reference to the policy register very simple. In case of surrender, cancellation, or death, the records should be made upon this card. The proper form for the record card is given in Fig. 45.

Agent's Record. It is very important for a general agency to know at all times the volume of business written by any local agent or district agency in his territory, and it is therefore necessary to keep the solicitor's accounts in an agent's record where the business of each agent or district can be kept together. This record shows a complete description of the policy, when the different premiums were paid,

Name of Agent

[illegible]

Fig. 46. Record of Insurance Business for General Agency

the amount of the commission due to the agent, and when paid or credited. At the end of the year the record will show the total amount of business produced, and its cost. This form is shown in Fig. 46.

As some agents have a renewable interest in their business, an arrangement must be made to keep track of, and credit such commissions as may be due the agents from renewals from their territory. This is usually done by the introduction of a renewal sheet in the agent's record, where such renewals are allowed agents. This should be of a different color but of the same size as the original sheet. It is advisable to use this record as a journal, and post the monthly results directly to agent's account, charging him for all moneys advanced.

Wherever general agents accept notes on their own responsibility, forwarding the cash to the company, it is necessary to open a bills receivable account in the general ledger, and keep a note register.

LOCAL AGENTS

Local or district agencies require, in a modified form, about the same line of books as used by the general agency, as the relations existing between local and general agents are similar to those existing between general agents and the home company. The general agency requires that each application shall be sent in as soon as received, and it is very wise for the agent to keep a record of the applications, as in Fig. 40. Many agents are allowed to make the collections upon their own business and, in such cases, a simple record should be kept of these collections, and reports made to the general agency under terms and conditions laid down by them. If the local agency has a limited district under its control and is allowed to secure solicitors, it is necessary that they also keep an agent's record, as shown in Fig. 46.

Following Up Prospects. The local agent is the worker or producer of the business of the company, and, in order to fully cover his field and maintain an ever increasing business, it is necessary that he keep a close and careful record of all persons solicited, and especially of those who may be termed "prospects."

An agent should keep a diary record of all of his calls and, wherever there is sufficient inducement offered to call again or wherever, on account of other engagements it is impossible to interview

the party, it is well to carry the name forward for a future call. For instance, if an agent calls on Mr. Breckenridge on the 8th of the month, and finds him busy, or, if not busy, sufficiently interested to be willing to receive him again, the name should be immediately entered in the diary for the 16th or the 17th of the same month. Or, better yet, if an appointment can be made, he should enter on the day of the month of the appointment, the name and address and time

NAME		AGE & DATE OF BIRTH		OCCUPATION or BUSINESS	
FIRM		BUSINESS ADDRESS		RESIDENCE	
MARRIED	NO. CHILDREN & AGES		PLAN PROPOSED		AMOUNT
AMT. INS. NOW CARRIED		COMPANIES		PLANS CARRIED	
APPLICATION SECURED	AMT. & PLAN		EXAMINED	ACCEPTED or POSTPONED	
GENERAL REMARKS					
<i>Appointments</i>		<i>Remarks</i>		<i>Appointments</i>	

Fig. 47. Agent's Prospect Card

of the appointment and—*be sure to keep it*. If an agent interests a customer to the extent of giving his age, inquiring in regard to rates, and talking over different plans, he is considered a "good prospect."

As soon as an agent arrives at this point of the game, he should take from his pocket the little card shown in Fig. 47, and fill in the information thereon as completely as possible. The card provides for name, age, and date of birth, occupation or business, firm, business address, residence, married, number and ages of children, plan proposed, amount, amount of insurance now carried, companies, plans carried, application secured, amount and plan, examined, accepted or postponed, general remarks, and appointment. These cards should be kept in a chronological file at the agent's office or home, and entered each day they appear in the agent's diary which he carries in his pocket. The cards should not be taken out of the file, nor should they be put forward *more than one day*, until after the result of the agent's call has been endorsed thereon.

The most important consideration for a solicitor is to *keep everlastingly at it*, and not to "turn down" a prospect until worked to the finish. No more than ten days should ever elapse between one call and another except by special appointment and, even then, the agent should endeavor to keep his appointments within this limit. Every man will try to put off life insurance. Every agent must combat this idea. It is the agent's business "to heat the iron" by his enthusi-

NAME			ADDRESS			AGE			PREM. A. S. A. Q. \$		
NUMBER OF POL.			DATE OF POL.			AM'T OF POL.			KIND OF POL.		
NAME OF BENEFICIARY			ADDRESS			RENEWAL					
GENERAL REMARKS											
YEAR			YEAR			YEAR			YEAR		

Fig. 48. Back of Prospect Card. To be Used when Prospect Becomes Purchaser

asm, interest, knowledge, and logic. He must then "strike while the iron is hot."

On the back of the prospect card is the policy and collection record which is filled in when the prospect becomes a purchaser. The record of collections may be kept thereon from year to year, as shown in Fig. 48.

As soon as the policy is issued upon any prospect, the cards should be taken from the prospect file to the policy file. Prospects should never be considered "absolutely dead." When there does not seem to be any possibility of doing business with them, the cards should be removed to a suspense file. Whenever there is any special matter to send out, the names and addresses in the suspense file as well as the prospect list should be used. All the persons whose names are in the suspense file should be called upon at least once per year and many of them will be found to become prospects.

FIRE INSURANCE

More than a quarter of a billion of dollars' worth of property has been destroyed by fire in each of the last five years in the United States. The total for that period is \$1,346,002,059, according to a statement made by J. Montgomery Hare, president of the National Board of Underwriters. This means the destruction of nearly three quarters of a million dollars for each day of the five years. That there should be such a needless destruction of property in the United States does not seem possible, yet there is no reason to doubt the statistics compiled under the direction of those representing all of the fire insurance companies of the country.

For every new building constructed in the United States half of a building is destroyed by fire. Every effort should be made for the protection of private property. European countries have solved the problem. Their *per capita* loss is 48 cents, while that of the United States, as shown by the figures for 1907, is \$2.51. Chicago and Paris, each having about the same population, show the contrast. Chicago's *per capita* loss was \$1.43, while that of Paris was 47 cents. Baltimore, Maryland, had a *per capita* loss of \$1.66 while Birmingham, England, a city of about the same size, had a *per capita* loss of only 41 cents.

If the United States had Europe's *per capita* loss of 48 cents in a total population estimated by the census bureau for 1907 as 85,532,761, the total fire waste in this country for the year would amount to only \$41,055,725, a saving of natural resources to the extent of \$174,028,984. With the maximum *per capita* loss in Europe, which is that of Russia at \$1.16, the fire waste in the United States would have amounted to \$99,218,602, or \$116,314,759 less than it did.

There are some remarkable facts connected with fires in Europe. Some countries compel insurance, while all cities prevent great losses by insisting on the erection of steel, stone, or brick buildings. The fire departments are ridiculously inadequate as compared to those of American cities, yet the net results are better. The French law compels insurance against fire, not only for the benefit of the owner, but for his neighbors. Building insurance in Germany is compulsory and, in some kingdoms, it is a government monopoly. Russia has an elaborate system of control and local government in-

insurance, and compels the insurance of all buildings. By a law recently enacted, the Swiss method of insuring against the loss of time by fire, which in this country is called "use-and-occupancy insurance," has rendered loss on account of delays by fire almost impossible.

The great fire waste in the United States, according to the geological survey, is due to the preponderance of frame buildings. Of the total loss in 1907, more than two thirds was due to frame buildings. In most European cities, frame buildings are positively prohibited, and very few are erected in the rural districts, owing to the scarcity and high prices of timber. In the United States the conditions are reversed.

Despite the heavy losses, the table of the underwriting results for 1908 shows a profit for the year of 3.19 per cent, the exhibit is as follows:

Premiums; fire, marine, and inland	\$254,675,170	
Losses paid; fire, marine, and inland		\$140,464,352
Increase in liabilities during the year (outstanding losses, unearned premiums and other claims)		6,161,582
Actual expenses		99,919,352
Profit (3.19% of premiums)		8,129,884
	<u>\$254,675,170</u>	<u>\$254,675,170</u>

HOME OFFICE

Fire and marine insurance are conducted in a very different manner from life insurance. The companies themselves do not pass upon the risk, primarily, but the risk is passed upon, classified, and the policy issued by the local agencies. The company furnishes to each local agency a number of blank policies with the autograph signatures of the proper officers, leaving a place for the signature of the manager of the agency which makes the contract legal.

As the home office has little or nothing to do with the classification of the risks, the determining of the premium rate, or the issuance of the policies, or even in some cases the payment of losses, it relieves the accounting department at that end of a great amount of labor.

The classification and determination of rates are effected in large cities, usually, by a board of underwriters, made up of representatives of different companies doing business in the city, who go very

thoroughly into local conditions and, after the *percentum*, or insurance rate, has been determined upon for buildings within a certain district according to their construction, fire protection, and contiguity with other buildings, this rate is accepted by all of the companies doing business in the locality.

It will be seen from the above that great power and authority is given to local agencies. It is even the case in many instances where the proofs of loss are adequate, and there is no reason to dispute them, that the agency pays the loss from the funds of the company, including the amount in the disbursements as reported to the company in their monthly report. Almost every agency has several different companies upon its list and, where insurance is accepted for a large amount, it is distributed among the different companies according to the proportions of the risk acceptable to each company.

General Books of the Company. There must be a distinction observed between the books of account and those which are of a totally different nature, such as records of risks accepted, claims paid, agents appointed, endorsements on policies, and many of the allied matters which are sure to arise in connection with the acceptance or underwriting of all classes of insurance business.

The necessary books for the company to keep at the home office are:

- (1) General Cash Book
- (2) Petty Cash Book
- (3) Investment Journal
- (4) Investment Ledger
- (5) General Journal
- (6) General Ledger.

The supplementary books are

- (7) Policy Register
- (8) Agent's Record
- (9) Claim Book
- (10) Bills Receivable and Bills Payable.

After a company has been in operation for some time, these books may have to be augmented in accordance with the development of the business.

The general investment journal, the investment ledger, the general journal, and the general ledger are all similar to those used

in the life insurance business, and fully described, with the exception of some slight variation in the column heading. The ruling for the petty cash book may be exactly the same as that of the detail cash disbursed of the life insurance company, Fig. 19, except that commissions and agency expense are entered in the general cash book, and there will be found no necessity for the column headed *dividends applied on payments*.

General Cash Book. The fire insurance general cash can be made on a loose-leaf sheet 14×17 inches in size, or 16×17 inches, or in a bound book a trifle narrower. The item column is in the center of the sheet with the debit columns at the left and the credit columns at the right. The sheet is headed *general cash, month of*; or, if a daily sheet is required, the heading may show the day instead of the month. In Fig. 49, it is assumed that one or more sheets are to be used daily. Both sides of the sheet are ruled and printed alike and should be numbered alike. The first money column is headed *agency ledger*, and in this column are shown the total receipts as exhibited in the agent's report. The next column is for the purpose of entering all collateral or property sold. The next column is for the entry of interest received, and the general ledger column is used for such items as there is no columnar provision for.

The agency reports, after being audited and approved, are credited to the premium account and debited to the various agency accounts in the agency ledger, if one is kept, or in that portion of the general ledger devoted exclusively to agency accounts. The agency expense and commissions are cared for through the cash book.

On the credit side of the cash book to the right of the item column is, first, a general ledger column which is used for the entry of such items as are not cared for by the columnar arrangement. In the next column are entered all losses paid, either direct or through an agency. The next column is headed *investment*, and in this column are placed moneys loaned on mortgage or other collateral, bonds or stocks purchased, or buildings or real estate acquired. This column is analyzed through the investment ledger. Then follow columns for agency expense and commission, the gross amount of the income of the agency as shown by the report having been debited to cash. The column following is for all items of interest paid upon

investments and, while the total of this column is credited to the interest account, the item should be posted separately in the investment ledger. The last, or miscellaneous, column is for the entry in total of the detail distribution sheet as before described, a recapitulation of which for the month will give the necessary distribution to carry into the general ledger column at the end of the month.

All of the totals of the subsidiary column, both debit and credit, should be carried into the general ledger column at the close of the month's business, the accounts to which the debit or credit appear being written in the item column, and the postings made the same as other items entered in this column. It is understood that any entry made in the general ledger column must be posted individually to its proper account in that ledger.

As to the handling of this book when made in loose-leaf form, and the binders necessary to use, refer to the description of the cash book in the life insurance section.

INSURANCE ACCOUNTS

PART II

Agency Policy Register. On account of the fact that it is necessary for insurance books to be unusually large, it is much more satisfactory to use loose-leaf books than bound books. For books of continuous entry, it is only necessary to handle a sufficient number of sheets to last through the month and, as soon as these sheets are filled, and the month's posting and checking completed, they can be removed to a permanent binder where they will not incommode the operator but will be ready for reference whenever needed. The policy register sheet should be 16×22 inches in size, printed on good quality ledger paper. This form is ruled and printed to show in the heading sheet number, state, and agency. In the box are column headings for policies sent to agent, policies reported, name and address of insured, commencement (day, month, and year), term, expiration (day, month, and year), amount of insurance, rate of insurance, premium, account, class, property, remarks, date of cancellation, amount of policy, account, and classification, as shown in Fig. 50.

This form is, as a rule, used in a current binder, although it may be used in a transfer binder if preferred. It can be fitted with an alphabetical index or with a series of tabbed leaves showing the different agencies.

How to Use the Books. As a number of policies are sent to each agency as needed, in the manner before described, the numbers of these policies are entered in the register when the policy is forwarded to the agency, but the remainder of the information is not written in until the report is received from the agency showing that a policy has been issued and giving the other particulars necessary for entry. It is absolutely essential that every policy be registered, and this register is used for a continuous registration of such policies as are sent to each agency. The cancellation of policies as reported by

Sheet No. _____

FIRE INSURANCE CO. POLICY REGISTER.

State _____ Agency _____

POLICIES SENT TO AGENT	POLICIES REPORTED	ASSURED	COMMENCEMENT MO. DAY YR.	TERMINATION MO. DAY YR.	EXPIRATION MO. DAY YR.	AMOUNT	RATE	PREMIUM	ACCOUNT	CLASS	PROPERTY	REMARKS	DATE CANCELLED	POLICY	ACCOUNT	CLASS	

Fig. 50. Policy Register for Fire Insurance

agents are promptly entered after their proper policy number, with such remarks as are necessary.

Daily reports are received from the general agencies and from such local agents as are not directly under the control or in the territory of some general agent. These daily reports give the numbers of policies written, with the description of the property insured, which latter is a copy of the form sheet or rider attached to the original policies.

Besides the report of the issuance of new policies, a report is made of all the renewals—which, by the way, are treated similarly to new business, an entirely new policy being issued in place of the old one, which expires at a given day and hour, and, also, a report of all policies cancelled and premiums returned. The entries made in the agency policy register are taken from this report and the reports are filed to check against the monthly report.

Policy Record. The policy record differs from the agency policy register inasmuch as it is a continuous and consecutive registration of all policies issued. The sheet is 15×15 inches in size and is a folio book, being differently ruled and printed on each side. The first column is for the number of the policy, and these numbers run consecutively—not as issued, but as numbered. Then follows name of the assured, property location, date of issue, date of expiration, date of cancellation, and *re-insurance.

On the reverse side of this sheet, or what would be the left-hand side of the book, are six sections showing amount and premium, each used for different years, wherein are noted the amount of the insurance expiring during that year, with the premium. In this way the expiration record can be easily kept. Following this is the total, amount, rate and premium, and the classification and the state record, as shown in Fig. 51 and Fig. 52.

The information for the policy record is received from the same source as that for the policy register. The information is entered opposite the proper policy number and, in case any policy is returned as unused, spoiled, or lost, an entry is made in red ink stating the facts in the line after that number.

*Sometimes an agency will take a larger amount of insurance upon a certain property than the company cares to carry; in such a case as this, part of the amount is re-insured in some other company.

The most desirable binders to use for this book, which is a book of continuous entry, are sectional-post transfer binders; and by reversing the sheet when placing it in the binder, and having the label placed on the back of the binder upside down (really making the back of the binder the front), the numbered leaves will run in continuous and consecutive order. Transfer binders may be used after the current binder becomes too large to handle satisfactorily and, if desired, the sheets representing the business for one year or for a shorter period may be taken out and permanently bound.

Agency Report. From the agency policy register, a report is made out for each agency showing the account current during the month. This record gives the number, name of the assured, amount, premium and commission rate. Upon receipt of this statement, the agent enters the amount of commissions due, deducts the amount of commissions paid out by him for return commissions, as shown by a list following, and returns to the company with a check to balance. Most agencies pay their own expenses, but, wherever any expense allowance is made, a record of such expenses is shown in this report, and deducted from the total amount received, the same as are the commissions earned. This form is shown in Fig. 53.

Bills Receivable and Bills Payable. As the forms for these books are provided by any stationer and there is no necessity of departing from the common usage by insurance companies, any of these regular forms will answer the purpose. There is shown, however, in Fig. 54, a loose-leaf bills receivable record, upon which is kept the bills receivable according to due date. The sheet is ruled horizontally for the entry of forty-seven notes, and is ruled on both sides. Two sectional-post binders are required—one for the current sheets, on which there are notes not yet matured, and a transfer binder to which are removed the sheets as the notes are closed out at the end of each month.

In a business where a large number of notes are handled, a sheet may be given for each week, or even each day. In that case, weekly or daily tabs may be used, and the days of the week, or merely one date, substituted for the thirty-one days on the sheet. When long-term notes running into succeeding years are handled, it is necessary to have year tabs. For instance, the present binder might have notes

BILLS RECEIVABLE

DUE MONTH of 19

Fig. 54. Loose-Leaf Record for Bills Receivable According to Due Date

falling due in the year 1911, 1912, or later. In this case, the year-tabbed sheets are inserted in the binder, and the month sheets placed behind them. More than one set of monthly tabs is unnecessary, for at the end of the year the sheets of the succeeding year may be transferred to the current year and placed under their proper monthly sheet. When all the notes are paid or closed, the sheet is transferred to the transfer binder in its chronological place. If any notes remain unpaid, they are transferred to a delinquent book to be specially handled by the collection department or attorney, and a proper entry made in red ink in the remarks column. A delinquent sheet is very convenient and accurate, for it allows the current sheets to be closed at the end of the month and removed from the binder, and gives a definite, concise record of all notes overdue. Bills payable, wherever they exist, are handled in a similar manner.

Claim Book. The claim register is used for a record of claims, which is made as early as possible after the receipt of the notice of loss from the insured or from the agents. These claims are numbered consecutively according to the book number as received, and the final amount is entered after the adjustment has been made. The form for this register is made up for the entry of one hundred claims upon each sheet. On one side of the sheet are the numbers 00 to 49, and on the reverse side of the sheet 50 to 99. The full number does not need to be entered, as the sheet number determines the hundreds and thousands. For instance, the first sheet would be number 0, which would run from 1 to 99, sheet number 21 would be 2100 to 2199, and sheet number 268 would be 26,800 to 26,899. In beginning the use of this book where some other claim book has been in use, the sheet number should be started by the number of hundreds and thousands of the first claim entered, and it should be entered upon the line representing the ten and unit number; for instance, if the first claim to be entered was 6,157, the sheet would be numbered 61 and the first claim entered in this book on line numbered 57 of that sheet.

The form, Fig. 55, shows space for the entry of date, number, name, agency, amount claimed, adjusted by, date, amount paid, date paid, and remarks. As this book is a consecutive record, the sectional-post binder can be used in the same manner as described for the policy record, and will be found most desirable.

Adjustments. Each company employs a number of regular adjusters, and there has also sprung up in the leading cities, firms of insurance adjusters who adjudicate and determine the amount of loss assessable against the combined insurance, which is divided according to the amount carried by each company. The payment of losses in the fire or marine insurance business is far different from

REGISTER OF CLAIMS											Sheet No _____
INSURANCE COMPANY											
	DATE	NO.	NAME	AGENCY	AMOUNT PAID	ADJUSTED BY	DATE	AMOUNT PAID	DATE PAID	REMARKS	
		00									
		01									
		02									
		03									
		04									
		05									
		06									
		07									
		08									
		09									
		10									
		44									
		45									
		46									
		47									
		48									
		49									

Fig. 55. Register of Claims for Fire Insurance Company

that in the life insurance business on account of the fact that there is almost always a certain amount of salvage, and it is very seldom that the company is called upon to cover a total loss, or to pay the full amount insured. The matter of adjustments to the satisfaction of the policy holder, and at the same time, to do full justice to the company is one that requires the highest skill and judgment. The laws of different states vary considerably in regard to the settlement of losses, and the adjusters must conform to these laws in their settlements. Most companies refuse to carry insurance exceeding two-thirds of the value of the property insured, therefore an over-

insurance does not benefit the insured in case of loss. A few states require the full valuation and, in these states, the companies are necessarily very careful to know that too much insurance according to the value of the property insured is not carried.

Special Agents and Inspectors. Each home office has a certain number of special agents and inspectors whose duty it is to visit the different agencies and make reports to the company to the conditions as found. The special agent's business is to look into the working of the agency, and ascertain if it is running in a satisfactory manner. He has a line of reports to make upon this subject, which are dictated by the requirements of the situation. The inspector's business is to examine the risks placed by the agency, compare with maps and see that proper ratings have been made, and also, in many cases, to examine the property itself in order to be sure that all of the conditions required in regard to fire protection have been fulfilled by the insured.

Reserves. The question of reserves for the payment of losses or for re-insurance is largely determined by the laws of the state wherein the company is incorporated, but is influenced also by the laws of other states where the company does business. Where the laws are regarded as too rigid, the companies withdraw their agencies. By these different laws, a certain proportion of the gross receipts of the company must be set aside or invested in approved securities and held especially for this purpose. The profits made upon these reserves in the shape of interest, commission, or brokerage represent a portion of the gross profits.

Re-Insurance Premiums. The term *re-insurance premium* or *guarantee business* is usually applied in relation to the protection granted by a company to other companies who seek their participation in risks involving a greater responsibility than the other company cares to retain. It is very desirable to enter new re-insurance policies in detail in a register suitable for this purpose. A monthly or quarterly total to the debit or credit of each company involved may then be easily found. A renewal register forms a very necessary adjunct to the office books, and is constructed upon lines similar to the ordinary agency renewal register or card. The form for the register of re-insurance may be quite simple, giving date, company name, name of insured, policy number, amount, premium, posting column, re-

for which they are held responsible, and premium income credited. During the year the cancellations, returns, and additions by endorsements are carried in a similar manner to the premium accounts and the net result credited to revenue. In many cases the only other source of revenue by a fire insurance company is from interest earned upon investments. Prosperous companies invest all of their surplus in reliable securities, so that the dividends payable to the shareholders may be provided from the interest thus earned. A prominent writer has said:

"A fire insurance company to occupy a distinctly strong position has to allow its 'fund' to grow until it is equivalent to a whole year's premium income and, before estimating any actual surplus, at least fifty per cent should be held in reserve as representing the liability under unexpired risks.

"A liberal estimate has to be made of the amount of losses outstanding, and should include every loss which has been announced up to the date of closing the books, and for which a settlement has not been effected. These will appear in a balance sheet under that heading and, as they will in all probability be paid during the ensuing period, the total estimate can be written back to the credit of 'loss payments account' on the reopening of the books—the debit to that account being actual cash payments, which will include the whole of the previous outstandings."

Use-and-Occupancy Insurance. This class of insurance has been briefly referred to, but it should be added that the business and profits in this line are increasing rapidly in Chicago and other large cities, as the desirability of the protection is being brought home to the property owners. This insurance pays for "time loss on account of fire." The firm of Sears, Roebuck and Co., recently placed \$4,000,000, which is perhaps the largest line in the country. The entire amount was placed with twenty companies, none taking less than \$10,000, while the London and Lancashire took \$500,000, and the Home \$400,000. The form provides that there shall be no claim for loss unless the loss exceeds \$60,000 and then only for the excess above that amount. For total loss, the liability is \$13,333.33 per working day for a year, with proportionate amounts for partial disability. The rate, 13.6 cents, is the lowest ever made on use-and-occupancy insurance in Chicago, largely because of the \$60,000 exemp-



tion clause and the superior character of the plant, which has an especially low fire insurance rate.

Salvage. The question of salvage is a very important one with fire insurance companies, as, even in the most disastrous fires, there is frequently an opportunity to save a large portion of the stock by prompt action. For this reason, in large cities there has been established "salvage corps," whose business it is to protect property as far as is possible. These corps are made up of thoroughly trained firemen with the finest horses and the best equipment. They are provided with tarpaulins which are spread over the goods at the earliest possible moment, to prevent loss by water if the fire is not especially disastrous. If time is allowed, goods may be taken from the building to a place of safety. The expense of these organizations is divided among the different companies, and the saving to the companies is enormous. In smaller places, fire insurance companies frequently bear a portion of the expense of improving the facilities for extinguishing fire, but this is always done at their own option.

GENERAL AND LOCAL AGENCIES

As has been stated, the insurance agency possesses a very unusual amount of authority in connection with the placing of fire insurance. All fire insurance is term insurance, and varies from one to five years. It is usual to insure large stocks of goods and risks of extra hazard only from year to year, as the varying conditions often require a readjustment of rates and sometimes a refusal of further insurance. Insurance on outside property, dwellings, household furniture, etc., is usually carried for a longer time without renewal, rates being made to cover three to five years and sometimes longer.

Insurance carried on large stocks of goods varies considerably according to the season, and it is therefore quite common for large concerns to increase or reduce their line at any time according to the condition of their stock. A reduction of insurance by the insured means a return of the unearned premium; this feature is therefore quite important.

Mapping and Rate Department. The most important feature connected with the city fire insurance agency is the complete mapping of the city. These maps are on a large scale, and show the city blocks, all of the houses thereon, nature of construction, distance

CHAS. L. CRANE & CO.

GENERAL INSURANCE

PIERCE BUILDING

ST. LOUIS, MO.

Telephones:
Bell, Main 3360
Kinloch, Central 3610

BINDER

Assured _____

Amount, \$ _____ Term _____ Rate _____

Date _____, 19 _____

On _____

Located _____

St. Louis, Mo

GERMAN AMER. _____ \$ _____ \$ _____

ROYAL _____ \$ _____ \$ _____

PHOENIX _____ \$ _____ \$ _____

PENN. _____ \$ _____ \$ _____

AMERICAN _____ \$ _____ \$ _____

ROCH. GER. _____ \$ _____ \$ _____

DELAWARE _____ \$ _____ \$ _____

RELIANCE _____ \$ _____ \$ _____

FIREMENS _____ \$ _____ \$ _____

MECHANICS _____ \$ _____ \$ _____

GIRARD _____ \$ _____ \$ _____

NORTH AMERICAN _____ \$ _____ \$ _____

ALLIANCE _____ \$ _____ \$ _____

NEW BRUNSWICK _____ \$ _____ \$ _____

VIRGINIA STATE _____ \$ _____ \$ _____

It is understood and agreed that this Binder shall be void after date of

_____ *at noon or on deliveries of Policies.*

Agent.

Fig. 57. Binder of Order for Fire Insurance

between contiguous buildings, vacant property, and all particulars calculated to affect the risk, either adding to, or reducing the rate. It will be seen that the constant changes occurring in a city, the erection of new buildings and the demolition or destruction of old ones, make it necessary that these maps be kept constantly up to date, and it is certainly no small amount of labor. It is from the accurate knowledge of existing conditions, not only in regard to the actual property insured but also the increase or decrease of risk as influenced by adjacent property, that the table of rates for insurance is prepared and, as these conditions are constantly changing, the rates are subject to like fluctuation.

The installation of sprinkler service in many of the large stores has greatly reduced the rates of insurance on this line. These sprinkler pipes are distributed through the buildings, and are automatically opened in sections by heat, extinguishing a fire very frequently in its incipency.

Securing and Entering the Order. Almost all of the fire insurance business is done by brokers or agents, each of whom has his clientele. The record of expirations is carefully kept by the agency and, prior to the expiring date, the broker who secured the insurance is notified, so that he may, if possible, obtain its continuance. Where a broker takes a line of new insurance which is to take effect immediately, he issues to the assured a binder of the order, as shown in Fig. 57. This gives the name of the assured, the total amount of insurance, term, rate, date, on what property, where located, and the distribution to companies. This binder is only used to cover the interim between the giving of the order and the delivery of the policy. The brokers or agents all work upon a commission, and settlement is made monthly with the agency or agencies with which they do business.

The insuring companies are held wherever a binder to the contract is issued by an agent, in the same manner that they would be held otherwise, in case the fire should occur either destroying or partially destroying the property insured in the interim between the hour and day that the insurance begins and the delivery of the policy. It is usual for all fire insurance policies to date from the day and hour upon which the application was taken, and the company is morally liable in case of loss, even if the written binder has not been issued.

Entry _____ Renewal _____
_____ Rewriting _____
O.R. _____ New _____

W.H. MARKHAM & CO.
ORDER

Form No. _____
Entry No. _____

Assured _____

Property _____

Location _____

\$ _____ Date _____ 19 ____ Time _____ Rate _____
Remarks _____

Note on Register _____
Charge _____
Deliver to _____

DATE	OLD POLICY NO.	NEW NO.	COMPANY	AMOUNT	PREMIUM	COM	
			AMERICAN LLOYDS . .				
			CALEDONIAN				
			COLONIAL				
			FIREMAN'S FUND . .				
			L. & L. & G.				Bill _____
			NATIONAL				Reg. _____
			N.B. & M, ENG. . . .				Line S. _____
			NORTH B. & M., N.Y. .				
			NORTHERN.				Out B. _____
			ORIENT				
			QUEEN.				Bld. R. _____
			ROYAL EXCHANGE .				
			SECURITY				Insp. _____
			STATE.				Wnty _____
			SUN				
			SVEA				
			WESTERN RESERVE				

PLACED - See Other Side

Fig. 58. Order Blank for Fire Insurance

Order Blank. As soon as the risk is received from the broker, it is entered on an order blank, Fig. 58. This blank gives the form number, the entry, whether rewriting or new, name of the assured, property, location, amount, date, time, rate, remarks, notes on register, to whom to charge, and to whom to deliver. Following this will be found the date, old policy number, new number, amount, premium, and the commission, with the name of each company and the amount of insurance written in each. This form is then turned over to the daily report clerk who issues a daily report (form given later) which is sent to the home office. In case the amount insured is larger than the agency can place among the companies represented, whatever surplus there is is re-insured in some other agency representing different companies. The order when completed is turned over to the accounting department to check with the daily report.

The Daily Report. A daily report is made up and sent to each company home office from the various orders received. Before being sent out, the policy is written from this report by the policy clerk. It is then turned over to the accounting department, where it is entered on a card register or charge card. The daily report is then marked up by some one who is familiar with the commission arrangement, and turned over to the entry clerk who enters it in the policy register. This daily report is in duplicate, the copy being kept in the company file, in order to check up against the monthly report which is forwarded to the home office once each month.

This report, as is shown in Fig. 59, is addressed to the insurance company, and gives the name of the agency, the location, and day, in the heading. The report consists of a record of all of the policies issued on the policy forms of the company to whom the report is made, and shows policy number, name of assured, term, commenced (month, day, and year), expiration (month, day, and year), classification, amount, commissions, amount of premium, and remarks. It also shows policy number, commissions, rebates, and returned premiums on all cancellations.

It is most convenient to have a solid-post binder for each company, and the sheets may be punched either on the side or at the top. The original goes to the company, and it is therefore unnecessary to punch any sheet except the duplicate.

Charge Card or Form Sheet. Some offices use a loose-leaf register to make their charges for insurance to the individuals or companies with whom they do business. The form is similar to the card form which is shown in Fig. 60, but for various reasons the card form is considered preferable, principally on account of the

[illegible]

Fig. 60. Form Sheet of Agency Charge Register

fact that the form which shows the property insured (which will be described later) can be pasted on the back of the card, making a complete record of the transaction. The form sheet gives the name and address of the insured, order number, policy number, company, amount, rate, premium, term, expiration, date of cancellation, and remarks. The size of this card is $9\frac{1}{2} \times 12$ inches. A card of this kind is made out for every assured, and all policies written *on the same property* are entered thereon. These cards are filed in alphabetical or

numerical order. The alphabetical filing is preferable on account of the fact that, if filed numerically, a separate index is required. The record as shown by the form sheet is then entered on the policy register.

The Policy Register. The policy register must of necessity be a very large book, as it not only contains the record of the policy as issued with the name of the assured, date, expiration date, location, policy number, company, property insured, classification, brokerage per cent, amount insured, and rate, but it also covers the class of business placed, and the name of each company represented by the agency, showing the policy number, premium, or return premium. The form which is illustrated in Fig. 61 and Fig. 62 requires both sides of a loose-leaf sheet, size 14×28 inches. The particulars in regard to the policy are entered in the policy register as shown above. The daily report is checked against the policy register each day, and at the end of the month the accounting department prepares the monthly reports for the home offices of the different companies from this record.

The student will easily understand the headings as illustrated, with the possible exception of the classification column. All risks are classified by different offices in a slightly different manner, so that all of the companies represented may receive their just share of preferred business. It is not necessary to mention different classifications, but those from one large general agency, the Charles L. Crane Agency Company of St. Louis, will illustrate the method of classifying risks.

- A* Brick Dwellings
- B* Frame Dwellings
- C* Minimum Tariff Risks
- D* Mercantile Buildings
- E* Stocks Schedule Rated
- F* Special Hazards
- G* Country Risks
- S* Sprinklered Risks

Another form of policy register is shown in Fig. 63, which reduces the size of the sheet materially, but increases the number of books to be handled. Upon this plan, the policies for each company are

FLEETWOOD & PELLET															
SHEET NO. _____															
LINE	NAME OF ASSURED	DATE	EXPIRES	LOCATION	POL NO	COMPANY	PROPERTY INSURED	LOSS TO DATE	AM'T INS.	RATE	FIRE PLACED BUSINESS	ACCIDENT PLACED BUSINESS	COMMON UNION	COMMONWEALTH	ON HAND UNIT
											PREM	PREM	PREM	PREM	
1															1
2															2
3															3
4															4
5															5
6															6
7															7
8															8

Fig. 61. Front of Fire Insurance Policy Register

FLEETWOOD & PELLET															
SHEET NO. _____															
LINE	NAME OF ASSURED	DATE	EXPIRES	LOCATION	POL NO	COMPANY	PROPERTY INSURED	LOSS TO DATE	AM'T INS.	RATE	FIRE PLACED BUSINESS	ACCIDENT PLACED BUSINESS	COMMON UNION	COMMONWEALTH	ON HAND UNIT
											PREM	PREM	PREM	PREM	
1															1
2															2
3															3
4															4
5															5
6															6
7															7
8															8

Fig. 62. Back of Fire Insurance Policy Register

entered upon their individual sheet, the name of the company appearing at the head of the form. The sheet is ruled to show policy number, description of risk, and classification, and then follows the name or initials of the broker, the policy number, the name of the assured, the date of issue, term, expiration, amount, rate, premium, and commission to be charged the company. There is a current register binder used, containing sheets for each company, separated by tabbed indexed sheets, with the name or initials of the company on the tab. At the end of the month when the report is sent in and the totals have been carried through the journal to the general ledger, the sheets are filed in their respective company binders, and remain there for reference. The proper binder to use for the policy-register service is the sectional-post binder.

Cancellation Register. As cancellations and return of premiums are of very frequent occurrence, and as they affect the accounts of different companies and must be charged to them in their proper proportion, it is necessary to keep a cancellation register, which is quite as important as the policy register. This sheet should be loose-leaf, and is rarely ever smaller than 16×16 inches in size. As shown in Fig. 64, it contains columns for policy number, commission charged to company, name of company, name of assured, amount of policy, date of commencement, date of cancellation, amount of returned premium, classification, a number of columns for distribution to the companies represented, a charge column for companies other than represented in the office, agent representing the outside company, and the broker.

As soon as the policy is cancelled and the portion of the unearned premium returned to the assured, the full particulars of the transaction are entered in this register. The best binders to use for these sheets are the sectional-post transfer binders. The one used for current work should be bound in leather or half corduroy, but those for the transfer work should be bound in canvas or other cheap material. Many companies have their loose-leaf sheets bound permanently in periods of half-year's or year's business. When this is done, they do not require a large number of transfer binders.

Accounting with the Home Office. The totals, as shown by the policy register and the monthly reports, after being checked and shown to balance, are credited through the journal to the proper

company, and the totals of the cancellation registers showing return of premiums are debited to each respective company through the journal. These entries, together with those emanating from the cash book, will exhibit the correct account of the agency with the company.

The best method of billing to customers for an insurance agency is by the bill and charge system, which has been fully described in mercantile accounting. The return premium credits to customers should be handled in the same manner through the credit and memo system. Briefly, this system consists of making the original and the duplicate at the same writing on a typewriter, the duplicate going to the customer if debit, and the original, if credit, the other sheet remaining as a house record. The charges and the credits differ in color, buff being almost universally used to indicate a credit. The total of the charges made by this system will equal the total charges shown in the policy register and the amount credited to the various companies, while the total of the credits as shown by this system will equal the total of the returned premiums as shown by the cancellation book and the amount charged through the journal to the various companies.

Writing the Policy. The policies as forwarded to the different agencies by the home office contain all of the necessary matter with the exception of a full description of the property insured (which is of the very greatest importance), its location, and any special provisions connected with the risks. This form, or rider, after being carefully prepared and its correctness fully verified, is written by the typewriter upon a sufficient number of tissues to cover each policy issued, one to paste upon the back of the charge card, and one to forward to the company. This description, being written but once, is the same in every case, and is pasted on, and forms a part of, every policy.

Commissions and Brokerage. The entire fire insurance business is done upon a commission or brokerage basis, not only between the agency and the broker, but also between the company and the general agent. In many cases, the amount of the brokerage is paid by the general agent immediately upon the receipt of the application but, in many other cases, accounts between the agency and the brokers are settled monthly, in which event the commissions due to the

different brokers must be posted to their accounts, either through a journal entry or direct from the policy register.

In making out the monthly reports to the different companies, the commissions due the agency by each company is figured, charged to them through the journal, and deducted from the remittance.

There is no necessity for a special journal in the insurance business, the ordinary ruling of three or four columns upon each side of the item space being amply sufficient.

Cash Book. The cash book for general agency or local agency of a fire insurance company is very simple, as the receipts are almost exclusively for premiums, and the disbursements are for commissions and brokerage, return premiums, and general expense. A form for this purpose is shown in Fig. 65. In loose-leaf, this form should be 14×14 inches in size, with columns on the debit side of the item column for the entry of premiums received, payments from customers, and general ledger items, with a posting folio. On the credit side are columns for posting folio, general ledger, customers' ledger, return premiums, commission and brokerage, and general expense. The general or operating expense of the business should be handled as before described for the petty expense of the home office, and the totals of these detail sheets entered in the general expense column and properly distributed by recapitulation to the general ledger column at the end of the month. If a broker's ledger is used, these columns may also be introduced, or the commission and brokerage column used for that purpose, and any cash commission or brokerage paid carried through the detail expense sheet. All payments made to the different companies during the month, or payments of losses to be charged directly to them, should be entered in the general ledger column, and all moneys received from the companies for the payment of losses or other purposes should be entered in the general ledger column on the debit side of the cash book.

For the current work of a loose-leaf cash book, it is best to use a flat-opening spring-back holder and, as the book is in constant use, a full Morocco binding will be found much more serviceable than any other. The sheets should be carried in this binder during the current month and until all of the postings have been made and verified. They may then be transferred to a permanent binder in the same

manner as that described for the policy record, in order that the sheets may run consecutively. In making up a loose-leaf cash book, it is of vital importance that the sheets be numbered or folioed at the time they are made, and that each sheet should run in its proper consecutive order by number and be accounted for under any circumstances.

[illegible]

Fig. 65. Loose-Leaf Cash Book for Fire Insurance Agency

If a sheet is spoiled or torn so that it cannot be used, it should be left in its proper numerical place, and the reasons for non-use endorsed thereon.

Expirations. As all fire insurance is term insurance and must be renewed at frequent intervals, the keeping of expirations in such a manner that they are instantly, continuously, and chronologically obtainable is very important. Some companies do this by filing the original order in a chronological file at least thirty days prior to the date of expiration, where it will come up naturally at the proper time, so that the broker who obtained the business may be notified.

INSURANCE ACCOUNTS

Some companies have a card index of all insurance obtained, the particulars upon the card being practically the same as those of the policy record, although the enumeration of companies is unnecessary. These cards are made out at the time the risk is obtained, and are filed in a chronological file about one month prior to the time of expiration. When they come up naturally, the broker who obtained

[illegible]

Fig. 66. Fire Insurance Expiration Card

the business is notified and, if he fails to bring in the renewal before the expiration of the policy, the agency takes it up and sends out the special agent to try to retain the business. Some agencies assist their brokers by sending out a notification to policy holders about two weeks before the expiration of their policies. A form of this card is shown in Fig. 66.

Expiration Book. Some companies handle their expirations in a different manner, and have a loose-leaf book similar to the policy record and used in similar binders, wherein the particulars are entered at the time the risk is taken. The sheets cover one year,

and therefore it is necessary, where expirations are occurring during several succeeding years, that there be separate sheets for each year.

The form is 14×17 inches in size and has columns for the entry of date insured, number of policy, name of assured, placed by, property covered, amount of insurance, and shows the expiration by month, with the date of renewal and remarks, Fig. 67.

Monthly Reports. The monthly reports to be made to the home office by the different agencies are very simple in character, being only a list of business placed by the agency and showing policy number, name of assured, property insured, amount insured, classification, amount of premium, and total. The record for each company is taken from the policy register. On the reverse side of the form, the return premiums for the month are shown with the policy number, name of the assured, date of cancellation, amount insured, classification, amount of premium returned, and total. Both sides of this form are shown in Fig. 68.

Different indexes are prepared and kept up for various purposes. An index showing the amount of insurance carried upon each line of property is valuable for reference. A locality index is also of benefit, as it is not judicious for one company to carry too much risk within a certain radius.

It is frequently the case, especially with merchants, that insurance is taken out for a short term. The premium for such insurance is figured on short-term rate which, in turn, is based on the longer-term rate for the same property and locality.

Prospects. As a very large percentage of all insurance is secured by an individual broker or agent, neither the home office or the general agency have any need to keep a record of, or to follow up, the various prospects any further than the notification spoken of for renewal. It is very important, however, that the broker keep a very close watch for prospective business and, in order to do this, he should have several sets of index cards of differing colors, the colors indicating locality. All names of prospective customers should be entered upon these cards, with the address and the nature of property to be insured. By having a different color for each locality, the cards are easily assorted without reference to the written matter. These cards should be kept in a chronological file, and too long a time should not be allowed to elapse between one call and another. Some brokers

precede their call by a letter of notification written one or two days ahead, and others prefer to take the chances of an interview without prior notification. There is no need of a pocket diary or any copying of the names and addresses, as the cards may be taken out of the case upon the day the call should be made and not returned to the case until the prospective customer has been interviewed. The results of the interview should be noted briefly upon the card in each instance and, if another call is necessary, the card should be placed in its proper chronological position in the current case.

When any prospect becomes a customer, the amount of the insurance and the general agency with whom it was placed should be noted upon the card, and the card put forward in the chronological case to the year of expiration. When that year begins, all of the cards are assorted and placed in the monthly division about one month before the time for renewal. This method keeps the broker in touch with all of his business, both new and renewal, and he does not have to depend upon notification. If a cancellation occurs, he is notified by the agency, and he should then return the card to the prospect case, making a call as soon as possible, in order to keep in touch with the needs of his customer.

If a prospect becomes "dead" for any reason, the card should be removed from the chronological file and placed in an alphabetical file as it is very wise to occasionally send printed matter to what may appear to be "fully worked territory." The success of the broker depends upon his persistency in following up prospects.

MARINE INSURANCE

The accounting department for marine insurance is operated nearly along the lines of fire insurance which have been fully described. The first transaction in connection with the marine policy is the issuance to the assured, or to the broker who brings in the risk, of the memorandum of the amount insured and the premium, from which the commission or brokerage is deducted.

It is the universal custom to deduct the commission and brokerage from the premium at the outset, thus leaving the net premium only to be considered in the accounting department. This is a departure from the methods of life, fire, or accident companies. A slip is prepared, upon which is given brief particulars of the nature of

the risk, such as date and term of insurance, whether freight or hull and machinery, the total amount of the insurance and the premium. From this slip the policy is written.

Returns of premium on account of cancellation, where the risk expires before the term for which the policy is issued, are carried in the manner similar to that of fire insurance. The books are practically the same as those used in the different departments in the fire insurance business.

Losses and Salvage. Proof of loss of a vessel at sea is oftentimes very difficult to obtain, but in almost all cases the disappearance of the craft for a certain length of time presupposes the loss, and a consequent liability by the company. As in fire insurance, the matter of salvage is one of great importance. A vessel and its contents may be insured, the vessel wrecked, but a portion of the contents recovered by some other vessel and restored to the owners, in which case the company is relieved of its responsibility for the amount of property saved. On the other hand, the companies frequently pay the loss and then endeavor to recover a part of the cargo, and often raise and restore the vessel.

As salvage may be regained after the lapse of many years after a catastrophe at sea has occurred, the salvage account is often credited in a very unexpected manner. To quote an instance: A Dutch galleon, laden with Spanish doubloons, met with a disaster at sea not far from the entrance of the River Scheldt more than one hundred years ago, and the wreckage was accidentally discovered within the past ten years. After defraying the necessary expenses, the surplus of the specie was divided among the representatives of the underwriters at Lloyd's who had insured the ship so long previously. If underwriting accounts were kept open for contingencies, it would create an endless amount of detail, so the general practice is to close these accounts after the expiration of two years.

Investment of surplus funds is made on practically the same lines as in other companies and kept in the same manner. The interest and profit received from such investments add to the general profit, acting as an increase of the revenue account. There are certain laws governing maritime insurance which must be complied with by the underwriting companies and by the assured. This class of insurance insures against perils of the sea, including also risks of fire,

piracy, and barratry. *Barratry* is a fraudulent breach of duty, or willful act of known illegality, on the part of the master of a ship in his character of master, or of the mariners, to the injury of the owners of the ship or cargo and without their consent. It includes every breach of trust committed with dishonest purpose, as by running away with the ship, sinking or deserting her, etc., or by embezzling the cargo.

ACCIDENT INSURANCE

HOME OFFICE

The accident insurance field covers a number of forms of insurance in modern use which are frequently collected together and controlled through one office. Many of the accident companies include industrial insurance besides regular commercial business, and many also include health insurance, or the payment of indemnity during enforced absence from business caused by sickness.

The actual foundation of so-called accident business is personal compensation, which probably first arose from the dangers incurred during earlier periods of traveling by railway and steamship, but this has gradually been extended to dangers to individuals from every source, not only including general traveling but also special traveling, such as by motor cars or cycling, and for every other accidental injury to which an individual may be subject. Many companies issue policies guaranteeing employers in respect to the fidelity of employees. This character of bond has met with much approval and is very much better than the one which was formerly obtained from personal friends, thereby entailing many undesirable obligations.

Burglary insurance consists of insurance against damages by robberies effected by burglars or thieves of any description.

Some companies insure against losses arising to merchants and others through bad debts, or failure to meet payments of interest or principal in connection with mortgages.

Another class of insurance accepted by some companies is that which insures against damage to plate glass, which includes all forms of windows. This has been extended to include show cases and special display racks.

Many accident companies do a large industrial business which, as has been stated, differs from the ordinary line of business both in

respect to the amount insured and the terms of payment. The industrial insurance policy usually provides for the payment of a certain monthly premium, and the non-payment of this premium, as it is tontine, lapses the policy without any returns to the policy holder on account of premium paid.

On account of the many different divisions incident to the accident insurance business, the necessity for a complicated set of analytical books is necessary, but as this is really a question of departmental organization, it does not become an essential part of the keeping of the accounts.

New Business. As soon as an application is received at the home office it is given a consecutive office number and immediately entered in the new business register. This register provides for the entries of the office number, policy number, name of the assured, town, state, term (covering date of issue, and the date of expiration), accident (amount and premium), health (amount and premium), folio, agent's name, and, where installment business is done, columns for the various installments making up the annual premium. This form is shown in Fig. 69. All of the information concerning the application is entered in the new business register, with the exception of the policy number. When the policy has been issued by the policy department, the number is entered and the policy checked up to ascertain whether it is correct and in accordance with the registration. The charges to the agency accounts are made direct from the new business register and checked in the folio column as made. The size of the new business register sheet is $15\frac{3}{4} \times 22$ inches.

Agency Ledger. As stated above, the details of the new business register are posted to the debit of each individual account in the agency ledger, and the total premiums are carried to the credit of premium account, or, where the account is divided, "premiums—new business."

The agent's ledger is of loose-leaf form, 17×16 inches in size, with columns for the entries of date, policy number, notes, new business, premium receipts, installment business, date paid, date returned, folio, premium outstanding, policy number, folio, amount paid or cancelled, as shown in Fig. 70. The credit entries on the agency account are made from the agent's reports, the cash book, and the credit or cancellation book. When the matter of agent's reports is

NORTH AMERICAN ACCIDENT INSURANCE COMPANY
NEW BUSINESS REGISTER

[illegible]

Fig. 69. New Business Register of Accident Insurance Company.

[illegible]

Fig. 70. Accident Insurance Agency Ledger for Home Office

taken up later on, the detail of credits to their accounts will be further considered.

The agency ledger may be indexed alphabetically or by state and town as preferred, but in either case the indexing could be done by leather-tabbed sheets, and the current sheets held in a current binder or binders, with transfer binders to care for the closed accounts.

The Cash System. Detail cash sheets should be provided for the immediate entry of all amounts received of agents and collectors in the industrial section in total (the posting of the specific amounts to the individual cards being done from reports, and verified by recapitulation), the entry of all commercial or regular accident business individually—as shown by agent's report—the entry of all premiums received direct. Where special lines of insurance are carried other than those mentioned, special columns should be introduced in the detail sheet to provide for these exigencies.

The totals of the different columns from the detail sheets are carried daily to the general cash and all of the posting, with the exception of that already mentioned, is done direct from the detail sheets. The entry of amounts received should be made upon these sheets immediately upon receipt, and the checks deposited as soon thereafter as possible. The checking of the accuracy of the agent's accounts and the receipting to him may be done thereafter. Any charges or credits to his account are cared for by journal entry if not already clearly expressed in the agency ledger. A sample of the detail sheets is shown in Fig. 71.

The General Cash Book. The general cash book receipts sheet should be at least 16×16 inches in size, with columns for date, account, office number, policy number, state, ledger folio, premiums (regular accident), health premiums (sickness indemnity), protection premiums (industrial insurance), individual claims, protection claims, health claims, and sundries. The introduction of the various claim columns on the debit side of the cash book is to provide for cases where checks that have been sent out in payment of claims are returned. Such checks should be considered as a part of the cash received, and, after having been properly endorsed, should be deposited in the bank to the credit of the company's account. The form for the cash receipts sheet is shown in Fig. 72. This sheet

• AGENCY LEDGER •
ACCIDENT INSURANCE CO.

[illegible]

should be handled in the same binders and in the same manner as has been previously described for the handling of cash sheets.

The general cash disbursement sheet should be about 20×20 inches in size, and is ruled as shown in Fig. 73. It includes columns for the entry of date, claim number, voucher number, account, folio, commercial claims, protection claims, physician's fees, postage, employes' salaries, protection premium, protection commission, premium collections, printing and stationery, expense, sundries, and total. This book may be somewhat reduced in size by the introduction of one column for miscellaneous expense to be analyzed monthly, as previously described, and the elimination of the columns for physician's fees, postage, salaries, printing and stationery, and expense.

It is very important that the proper principles necessary in the caring for cash be observed in the insurance business. All receipts should be deposited, and all disbursements made by check. The petty cash disbursements necessary in this business, as well as in any other, should be cared for by an "imprest account" with a special petty cash disbursements sheet which, with the method of using, has been fully described in other sections.

Where claims in cases of emergency have to be paid either by agents or local branches, for the purposes of bookkeeping it is most desirable that they should be treated in the regular manner and paid by checks drawn for the purpose and sent direct to the agent, in order that the full amount of claims paid shall be shown through the cash book, which forms the chief source of reference in the compilation and checking of annual statements and accounts.

Cancellation and Credit Book. New policies that are not delivered and premium receipts that are unpaid after a certain period are returned to the home office by the agency and must be entered in the credit book and on the individual card to be described hereafter—the details being posted to the agency ledger from this book, and charged to the proper account at the end of the month, in total. It is very important that the entries in this book be made and posted daily, and, where several different branches of business are done through the same office, a complicated columnar book may be obviated by using the single column and analyzing the monthly totals to show the proper charges. This book is simple in its character, only pro-

Sheet No.

[illegible]

Fig. 72. Cash Received Sheet of the General Cash Book of Accident Insurance Company

done in each state, it will be found very convenient, and to afford a perfect check, to enter all of the new business received in a state register. This register is made up in loose-leaf, 12×18 inches in size, and has columns for the entry of date, name, policy number, accident, health, policy holder or collector, number of the report, and a column for each of the states in which the company does business. See Fig. 75 and Fig. 76.

By keeping up these entries, the amount of business placed in each state is clearly shown each day, week, month, quarter, and year. The monthly totals should be recapitulated into quarterly, semi-annual, and annual sections, which may be done on one of the same sheets, thus giving at the end of the year, without delay or extra labor, the amount of new business done in each state of the Union. Cancellations should be entered in a similar manner and upon a similar sheet. These books should be kept separately, and should be kept up to date at all times, not only as to postings but also as to additions.

Individual Accounts. Individual accounts with policy holders are kept upon cards; each of the different lines carried being kept in a separate case. It is also an excellent idea to have the cards for each line of a distinctive color; thus, white for commercial business, blue for health, buff for industrial, green for burglary, pink for plate glass, etc. The cards should be filed alphabetically by agency, and chronologically as far as the month is concerned. The cards should be removed to their proper month ahead at the time premium payment is endorsed thereon.

It will be found most convenient, in fact almost a necessity, to have a general index of all policy holders, alive and dead. This must be carried alphabetically, and the name, office number of the application, policy number, the division, and state must be recorded. Having this information, it is very easy to locate the card of the assured in its proper division. A card form for this index is shown in Fig. 77.

The card for the regular accident insurance, or what is termed *the commercial business*, shows the name, address, office number, policy number, state, amount at death, amount of indemnity, premium (annual, semi-annual, or quarterly), date and amount paid, date issued, age, occupation, agent, and premium call number. This is shown in Fig. 78.

The health card may be practically the same printing, with the exception that it should show installment number, month, and amount, as in Fig. 79.

		O. No. _____
Name _____	Pol. No. _____	
Division _____		State _____
Division _____		State _____
Division _____		State _____
○		

Fig. 77. General Index of Policy Holders

The industrial card (or what is termed *protection*) shows name and address, policy number, office number, amount at death, accident indemnity, health indemnity, policy form, age, monthly premium,

Name		O. No. _____			
		Pol. No. _____			
Address		State			
Address		State			
Amt. Death \$	Amt. Ind. \$	Amt. Health \$	An. Prem. \$	Semi-An. Prem. \$	Quan. Prem. \$
Issued	DATE AND AMOUNT PAID	POSTED TO	DATE AND AMOUNT PAID	POSTED TO	POSTED TO
Age					
Occupation					
Agent					
Prem. Call No.					
				Page	Line

Fig. 78. Index Card for Commercial Business

first payment due, date issued, collector, division. Then follow columns for six years, with a space for the payment record in each month. The back of the card shows the claims paid, date and amount, occupation, classification, agent, and policy form. Both sides of this card are shown in Fig. 80 and Fig. 81.

Premium Collections. The collection of premiums on commercial business is conducted in a manner very similar to that of regular life insurance companies. The receipts, as shown in Fig.

Name		O.No. _____			
		Pol. No. _____			
Address		State			
Address		State			
Amt. Death \$	Amt. Ind. \$	Amt. Health \$	An. Prem. \$	Semi-An. Prem. \$	Quar. Prem. \$
Issued	INSTALLMENT			DATE AND AMOUNT PAID	POSTED TO
	NO.	MO.	AMT.		
Age					
Occupation					
Agent					
Prem. Call No.					
				Page	Line

Fig. 79. Health-Policy Holder's Card

82, are prepared from the individual cards, one stub, which is to be mailed to the company with the agent's report, being attached to the receipt to be torn off by the agent when the amount is paid. The second stub remains in the receipt book, giving a record of policy number, name, amount paid, date of expiration, and agent. These receipts are assorted to the different agencies, and made out during one month for the succeeding month. All business which is paid direct to the home office is carried in the same manner as that of an agency, except that the report is held and checked by the receiving cashier as the payments are made.

These receipts, which are for renewals only, are then entered upon a statement form which is made out in duplicate for each of the agencies, the duplicate being held in the home office. Imperative

INSURANCE ACCOUNTS

instructions are given the agent upon this form in regard to receipts and remittances, as follows:

1. Premiums fall due at 12 o'clock noon on the date named in the receipt and, in each case, all stubs *MUST* be prepared and mailed as soon as receipt is delivered, and all vouchers in your hands that are due and unpaid must be returned with your report.
2. Begin to make collections as soon as you receive the receipts, that you may have them completed by the time premiums are due.

Name _____						Pol. No. _____						
Address _____						O. No. _____						
Amt. Death	Acc'd Ind.	Health Ind.		Pol. Form		Age		Mo. Prem.		1st Pmt. Due		
Date Issued		Collector						Division				
Year	Jan.	Feb.	Mch.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1909												
1910												
1911												
1912												
1913												
1914												

Fig. 80. Front of Industrial-Policy Holder's Card

3. Preserve all unpaid receipts, as they must be returned with your report, and if lost, *must be paid by you*.
4. Remit by P. O. Order, Express Order or Draft.
5. If the insured is slow in paying his premium, inform him that if it is not paid by 12 o'clock noon on the day it is due, your instructions are to return renewal receipt to the company with your report at that time.

These instructions must be observed by all representatives. In case a policy holder does not pay, and the necessity for the return of the receipts exists, the company desires that the agency should explain if possible the cause of the lapse. Reinstatements are made by most companies within a specified time after lapsation on the receipt of a signed statement by the policy holder and the payment of all due premiums. The form shown in Fig. 83 is $11\frac{1}{2} \times 9\frac{1}{2}$ inches

in size, but this form may be made of any convenient size required by the demands of the business.

CLAIMS PAID			
Date	Amt. \$	Date	Amt. \$
"	"	"	"
"	"	"	"
<div style="display: flex; justify-content: space-between;"> Occupation _____ Class _____ </div> <div style="margin-top: 10px;"> Agent _____ </div> <div style="margin-top: 10px;"> Pol. Form _____ </div>			


Fig. 81. Reverse of Index Card for Industrial Policy Holder

Statements of New Business. Besides the renewal report just described, a statement of new business for the month is forwarded to each agency. The form for this statement is shown in Fig. 84.

No. 5918 Policy No. _____ Name _____ Town _____ Paid _____ 19____ Hour _____ Amt Paid \$ _____ Date of Expiration _____ Agent _____ 19____	No. 5918 Policy No. _____ Name _____ Town _____ Paid _____ 19____ Hour _____ Amt Paid \$ _____ Date of Payment _____ Name of Agent _____	No. 5918 <div style="text-align: center;"> NORTH AMERICAN ACCIDENT INSURANCE COMPANY General Offices: "The Rookery," 217 La Salle Street. Chicago, _____ 19____ </div> <div style="margin-top: 10px;"> <i>RECEIVED from _____ the sum of _____ Dollars, continuing in force Policy No. _____ to _____ 19____ at 12 o'clock noon, Standard Time, provided the statements and warranties in the original contract are true at this date, and that nothing has occurred or exists at this date to render the hazard greater or different from that shown in the said contract.</i> </div> <div style="margin-top: 10px;"> Countersigned at _____ this _____ day of _____ 19____ <div style="display: flex; justify-content: space-between;"> _____ Agent _____ Secretary </div> </div>
--	--	--

Fig. 82. Receipt for Accident Insurance Premium

The same instructions apply here as in premium collections, and if any policy is not delivered promptly, it must be returned with a remittance for amounts collected as shown by the statement of new business. It is usual to send notices from the home office to policy

First Stock Accident Company Incorporated in Illinois. 
\$100,000 Deposited with the State of Illinois.

NORTH AMERICAN ACCIDENT INSURANCE COMPANY

General Offices - "The Rookery" 217 La Salle Street.

• COMMERCIAL DEPARTMENT •

Chicago, _____ 19____

○

Dear Sir:- Enclosed herewith please find the following commercial renewal receipts for collection and accounting, per instruction:

A. E. FORREST, Secretary

RECEIPT NO.	POLICY NO.	NAME	AMOUNT DUE		Remarks
			\$	¢	
		Total Collections,			<p>State here opposite the name of any policy holder who drops his insurance, the cause of such lapse, and any other information relative to the report.</p> <p>FOLIO</p>
		Total of Vouchers Ref'd,			
		Net Amount Collected.			
		Commission,			
		Net Remittance,			Return this Entire Sheet with your Remittance.

Each and every item on this Statement is due at 12 o'clock noon on date named in receipt, and must not be received by any agent after that time without an application for reinstatement signed by policy holder.

The following statement must be carefully executed and signed by the agent or report will not be accepted.

Agency at _____ this _____ day of _____ 19____

A.E.FORREST, Secretary.

Dear Sir:- Enclosed find _____ for \$ _____ and unpaid receipts amounting to \$ _____ which will balance the above list of collections, less my commission of \$ _____. I hereby represent that all the above mentioned premiums were paid to me by 12 o'clock noon of the respective due dates except Nos. _____ for which find enclosed reinstatement request properly signed.

Signed _____

ALWAYS STATE CAUSE OF LAPSE.

Fig. 83. Report of Accident Insurance Renewals

Industrial Collections. Industrial insurance, all being written on the basis of monthly payments, necessitates very much more detail in connection with the collection than is necessary in the commercial

[illegible]

department. Receipts are not issued on the installment business, as each of the policy holders is provided with a little pass book in which are entered the amounts as collected by the agent, and the non-payment of any amount due causes an immediate lapsation of the insurance.

In conducting the collection of this class of insurance, in order to save time and unnecessary work on the part of the various agencies, the home office is usually in direct touch with the collector and agent. Each of these collectors has a certain number of policy holders to

look after, as shown by the cards in his section. Each month a local collector's return list is made out in triplicate, the original and the third sheet being sent to the collector and the second sheet being held in the home office as the charge against the collector to be checked against upon the return of his report. These lists are made out during one month for the succeeding month, and show policy number, name, town, date due, amount of premium, date paid, amount paid, month paid for, home office check, and *why not paid*. See Fig. 85.

The instructions given upon this sheet are as follows:

Please set opposite each man's name, in "amount paid" column, the amount collected, and if not collected state the reason why, giving full particulars. Return this list on or before the tenth of the month, with draft or money order, payable to the order of the company to balance.

In each case where premiums are not paid, a notice that the policy has been cancelled for non-payment of premium will be mailed by this office to such policy holder immediately upon receipt of this report.

A reinstatement card must be signed and sent with premium if policy has lapsed one month.

In the upper right-hand corner is a space to be filled in by the home office, showing the number of the report (consecutive), by whom checked, and by whom posted. The reports are posted in the cash book in total as to amount received, and separately upon the cards of the insured.

Agency Contracts. Contracts with agents and with general agencies are almost without exception made upon a commission basis, the agency paying its own expenses and receiving a certain percentage of commission upon new business and renewals. There may be some few cases where companies pay part of the expense, but this is exceptional, occurring only in such cities as require an unusual expenditure for proper offices and equipment.

Some companies make a contract on the profit-sharing basis, this contract being very desirable for the agency and the company. It puts the agent upon his metal in securing new business, in the protecting of old, and in the collection of renewal premiums. It is a practical safeguard against fraudulent or excessive claims made under the contract by those insured.

In case of a profit-sharing arrangement, a commission state-

[illegible]

Mr. _____ Local Collector at _____

[illegible]

Remit Collections to-
NORTH AMERICAN AC-
General Offices: 8

LOCAL COLLECTOR'S RETURN LIST

This space to be filled in at Home Office.
Number _____

Mr. _____ Local Collector at _____

The following list shows amount of premiums due from each policy holder named below for the month of _____, 19____, on account of insurance in the North American Accident Insurance Co., Chicago, Ill.

Please set opposite each man's name, in "Amount Paid" column, the amount collected, and if not collected state the reason why, giving full particulars. Return this list on or before the 10th of the month with Draft or M.O. payable to the order of the Company to balance.

In each case where premiums are not paid a notice that the policy has been cancelled for non-payment of premium will be mailed by this office to such policy holder immediately upon receipt of this report.

A reinstatement card must be signed and sent with the premium if policy has lapsed one month.

Remember that policy holders who pay an annual premium are entitled to a handsome combined card and bill book.

[illegible]

Enclosed find _____ for \$ _____ that being amount due company after deducting my commission of _____ % which is \$ _____ Gross Amount Paid _____
Yours truly, _____ Local Collector.

Fig. 85. Local Collector's Return List for Industrial Insurance

ment is made to the general agency each month for the previous month showing:

Gross premiums collected
Claims outstanding, as per last statement
Expense
15% home office expense
5% cost of collection
Claims paid since last statement
Medical and legal expense
Taxes on gross premiums
Agents' licenses
Claims outstanding at this date
Total expenses
Net
Agents' proportion of _____ at _____ %
Less cost of collection in excess of 5%
Amount due company or agent
All other Drs. or Crs.

This form is shown in Fig. 86.

It is necessary to keep an agency contract register which should show at a glance the arrangements with the agent. It is also advisable to keep a collector's register showing the amount allowed for the collection of industrial premiums. This register should be alphabetically arranged

Companies require many special agents, inspectors, and traveling representatives who are almost uniformly paid a salary and expenses. It is the duty of the accounting department to keep such records as are necessary in this regard. All payments of money to such agents, whether on account of salary or for expenses, should be charged to their account, and they should receive credit for salary and regularly submitted expense accounts after the same have been passed upon by the proper authorities. For convenience, the main points of a special agent's contract should be noted upon his ledger account head.

Journal. The use of the journal has been perceptibly decreased by the introduction of subsidiary books from which the amounts are posted direct to the general ledger account. Now there is but little

• COMMISSION STATEMENT •

Dated at _____

19.

NORTH AMERICAN ACCIDENT INSURANCE CO. of CHICAGO, ILLINOIS

For _____ Ending _____ 19____

Gross Premiums Collected _____

Claims outstanding as per Statement.

EXPENSE

15% Home Office expense _____

5 % Cost of collection_____

Claims paid since last statement _____

Medical and legal expenses _____

Taxes on gross premiums_____

Agents Licenses _____

Claims outstanding at this date _____

Total expenses _____

Net

Agents proportion of _____ @ _____ % _____

Less cost of collection in excess of 5% _____

Amount due Company or Agent _____

All other Drs. or Crs. Viz:-_____

.....

.....

.....

.....

.....

Fig. 86. Accident Insurance Agencies' Commission Statement

use for the journal. At the same time it is only necessary for the entry of such transactions as are not provided for by other books of account, and for the closing entries and transfers from one account to another. One of the most important of the closing entries is that of making due provision for outstanding or unsettled claims, and, in this regard, the accident liabilities are much more difficult to ascertain than in either life, fire, or marine insurance. At the annual closing, a carefully prepared estimate should be made by the claim department, which, being approved by the secretary, is carried through the journal, charged to claims account, and credited to a provisional account called *unadjusted claims*. At the beginning of the new fiscal year, this account may be closed into the credit of the regular claims account, allowing the settlement as made to go through regularly, or it may be left open and the settlements of the claims listed debited to unadjusted claims account as the settlements are made. In the latter case, this account will show whether the estimated amount has been too small or too large, and may be a guide for future estimates. The best ruling for this journal is three columns on each side with the item column in the center.

General Ledger. The ruling required for this book and the accounts therein follow the usual course described in connection with life and fire insurance companies. The accounts of traveling special agents and inspectors may be kept in this ledger or in a separate ledger as preferred, but in either case they should be controlled by a controlling account, the same as any other subsidiary ledger.

In keeping the accounts for the general and local agencies, a notation as mentioned at the heading of their account will be of great assistance in determining their proper credit. A small rubber stamp with the notation given below will show just what the agent is to receive according to the terms of his contract.

Commercial.
Allowance.
Protection.
Profit sharing.

The rate allowed upon new business and renewal should be shown in the blank spaces.

Monthly Statements. There are a number of monthly statements and comparative reports that are useful to officers and directors, such as reports of new business, total, and, in definite territory, the total business written in each state, and a comparison with the same period of the preceding year or years. In order to give the officers a complete summary of the status at the closing of the month, a statement of the following character should be prepared each month from the book totals.

Statement for month ending.....	19.....
Balance on hand last statement	\$.....
Cash in home office.....	\$.....
Cash in banks.....
Bonds.....
Mortgage loans.....
Collateral loans.....
Cash in branch offices.....
Agents' debit balances.....	\$.....
Increase or decrease in ledger assets.....
Dividends paid.....
Net profit or loss for month of _____	_____

Agent's Claim Record. In order that the proper charge shall be made to those agencies which are operating upon a profit-sharing basis, and in order that the full amount of the claims paid shall be kept in the bookkeeping department, a "claim register" is necessary. The best form for this record, inasmuch as it is for the purpose of knowing the monthly charges against the agency, is in the form of a ledger. It is kept in the same manner as the other ledgers, the debits being entered immediately upon the payment of a claim, and the credits appearing quarterly when the settlement is made with the agent, and the amount of claims paid in his section being charged to him.

The ruling for this sheet, Fig. 87, shows the agent's name at the head of the page, with sheet number and address. Following this in the body are columns for the entry of claim number, name, address, date paid, commercial (accident and health), industrial

(accident and health), physician's fee, occupation, classification, and credits for commercial (accident and health), and industrial (accident and health). There is also a column for the name of the sub-agent. The amount posted to the debit of this ledger, as shown by the difference in the previous and present month's debits, must agree with the total claims paid as shown by the claim account. As this is a regular ledger, the binders and methods of use are similar to those described for other departmental ledgers.

Handling Claims. As soon as a claim is sent in, it is referred to the manager of the claim department, who passes upon its admission as a claim. If it looks like a legitimate claim, the papers are examined and commented upon by the manager, and filed at once in a claim envelope by consecutive number. This envelope, Fig. 88, has all of the detail of the claim endorsed thereon, and everything in the shape of correspondence or evidence received thereafter is placed within this enclosure. The same form of envelope with some slight differences in data is used for claims on account of sickness. This latter envelope is printed in red.

As soon as the claim is thus started upon its way from the desk of the manager or examiner, a tickler card is made out giving simply the claim number and name of claimant, with the days of the month from one to thirty-one at the bottom of the card, as shown in Fig. 89. This card is marked as necessary in regard to correspondence that passes between the company and the agent, the principal, or the physician before the final adjustment, and it is kept in a chronological file, so that it will be impossible in the large number of claims handled to lose trace of any one of them even for a day. If a letter is written, the month and day when answer should be received is checked upon the card, and the card is thus filed. If the answer has not been received as shown by the file when the card comes up, another letter is written, more imperative, and the card is placed forward just a sufficient time to provide for the reception of the answer. All companies try to make a speedy settlement of legitimate claims, and any delays caused by lack of system will not be tolerated.

Some people have an idea that the accident companies try to avoid payment and beat down the insured as much as possible, but observation will show that they are *positively anxious* to settle any legitimate claims. It is a part of their business, and must come as

ACCIDENT

CLAIM No. _____

NORTH AMERICAN ACCIDENT INSURANCE COMPANY

Form _____

Policy No. _____ Date _____

Office No. _____ Age _____

Rider _____

Claimant _____

Town _____

County _____ State _____

Occupation _____ Class _____

D. B. _____ M. I. _____

Date Injury _____ Ist. Notice _____

Nature _____

Cause _____

Policy Carried to _____ D. P. _____ C. F. _____

No. 1 Sent _____ No. 1 Filed _____

No. 2 Sent _____ No. 2 Filed _____

No. 3 Sent _____ No. 3 Filed _____

Letters Sent _____

Previous Claims _____

Should Recover about _____

Adjusted by _____

All'd _____ Wks. _____ Ds. _____ Total

All'd _____ Wks. _____ Ds. _____ Partial

Date _____ \$ _____ Ck. No. _____

Remarks _____

Charge Profits of _____

" " " _____

Whose Territory _____

Fig. 88. Accident Insurance Claim Envelope

the daily expense must come; for, without claims the company would soon be without patronage. It is only that the opportunity for fraud is so great with companies that take accident and sick benefit risks, that they must be constantly on the watch against those who buy insurance, not as a protection, but as a "sure thing."

From the claim envelope is made the claim record card, upon which is recorded all of the particulars of the claim from the time of its inception to its disposition. There is space for name, address,

CLAIM NO.				NAME												
JAN.																
FEB.																
MAR.																
APR.																
MAY.																
JUNE.																
JULY.																
AUG.																
SEPT.																
OCT.																
NOV.																
DEC.																
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		

Fig. 89. Tickler Card for Claims

occupation, age, death benefit, monthly indemnity, injury or illness, notice, paid, claim number, policy number, office number, form number, classification, whose territory, and disallowal. This form is shown in Fig. 90. These cards are kept in an alphabetical file with close division. The entries are made as the claim progresses.

Register of Claims. After the claim record card has been filled in, the claim is registered according to its consecutive number. The ruling of the claim register is as follows: Number, date received, name of assured, agency, date of injury, class of risk, amount claimed, amount allowed, physician's fees, date approved, date paid, to whom paid. The lines on one side of the leaf are numbered 00 to 49 and on the other side of the leaf 50 to 99, giving space for the entry of one hundred claims upon each sheet. The numbers preceding the last

two digits are indicated by the sheet number, which should be printed in at the time the leaves are made, beginning with the number in use at that time. For instance, if the claims at the time the sheets were ordered had reached 75,518, the number necessary on the first sheet would be 755, and claim number 75,519 should be entered on the line numbered 19 of that leaf, and so on, as shown in Fig. 91.

A sheet of this character not only obviates the necessity of writing the claim number, but positively assures every number being

NAME		CLAIM NO.	
ADDRESS		POLICY NO. OFFICE NO.	
OCCUPATION	AGE	FORM NO.	CLASS
		CHG. PROFITS OF	
D.B.	M.I.	CHG. PROFITS OF	
INJ. OR ILLNESS	NOTICE	WHOSE TERRITORY	
PAID		DISALLOWED	

Fig. 90. Claim Record Card

accounted for. As an example of the saving in the use of this sheet, suppose there were 100,000 claims during the year, and claim numbers running into five figures. If each one of these figures had to be written, it would mean the writing of 500,000 figures in one year, which can be entirely eliminated by this arrangement of the sheets.

At the time these sheets are printed, a few might be left with the number space blank to provide for a recapitulation of outstanding claims, which is necessary at the end of the year; or the record could be continued, and the recapitulation made upon a special sheet from the unsettled claims as shown in the register.

When the claim is paid and a check forwarded for the same, a credit ticket is sent to the accounting department, crediting the

REGISTER OF CLAIMS
ACCIDENT INSURANCE CO.

Sheet No. _____

	NO.	DATE RECEIVED	NAME	AGENCY	DATE INQUIRY	AMOUNT CLAIMED	AMOUNT ALLOWED	CLASS OF RISK	PHYSICIAN'S FEES	DATE APPROVED	DATE PAID	TO WHOM P/ID
	00											
	01											
	02											
	03											
	04											
	05											
	06											
	07											
	08											
	09											
	10											
	11											
	12											
	39											
	40											
	41											
	42											
	43											
	44											
	45											
	46											
	47											
	48											
	49											

Fig. 91. Accident Insurance Claim Register

amount paid, account claim of, located at, state, policy number, claim number, date, charge profits of (if the claim comes to an agent doing a profit-sharing business), and classification, as in Fig. 92.

Collector's Record. It is very useful for the claim department to keep a collector's record card for industrial business, as it keeps the department constantly posted in regard to the proportion of claims to the total business in every locality. As it is very frequently the

<i>Credit</i> _____	
	<i>Dollars</i>
<i>a/c Claim of</i> _____	
<i>Located at</i> _____	<i>State</i> _____
<i>Policy No.</i> _____	<i>Claim No.</i> _____
<i>Date</i> _____	<i>Chg. Profits of</i> _____
<i>Class</i> _____	

Fig. 92. Credit Ticket for Payment of Accident Claim

case that some locality may show unusually large claims on account of the collusion of the collector with the insured and the passing of fraudulent and unnecessary claims, this card brings it instantly to the attention of the department, and the matter can be investigated and corrected. The size of this card should be 5×8 inches. On the back is a monthly account in detail of claims paid for the year. The total of each month is brought to the monthly section of *claims paid*, on the face of the card. Each month, the gross collections, both commercial and industrial, are obtained from the accounting department. The percentage of the commercial and industrial claims is obtained and entered in the percentage column. As it is quite possible, even in a well-conducted territory, for the claims of a single month to be unusually large and thus to show an apparent loss, the percentages of the quarter, half-year, and the year are the ones that

Collector			Town			State					
Territory of						Commission					
YEAR & MO.	GROSS COLL.		TOTAL CLAIMS		YEAR & MO.	GROSS COLL.		TOTAL CLAIMS		CLAIM %	
	Com'l	Ind'l	Com'l	Ind'l		19	Com'l	Ind'l	Com'l	Ind'l	Com'l
19					19						
January					July						
February					August						
March					September						
April					October						
May					November						
June					December						
19					19						
19					19						
19					19						

Fig. 93. Front of Accident Insurance Collector's Record

are most carefully examined. The form of this card, both front and reverse, is shown in Fig. 93 and Fig. 94.

Proofs of Death and Disability. The proofs required on a death claim are quite voluminous, and include the claims statement, which must be made out by the widow or person legally entitled to receive the benefit, and certified copies of appointment and certificates of qualification of the executors, administrators, or guardians.

The attending physician's certificate must be executed by the physician attending the deceased at time of death. If more than one physician is employed, the certificate of each must be obtained. The friend's certificate is to be executed by some responsible householder intimately acquainted with the deceased, cognizant of his or her death, and not interested in the claim. The clergyman's certificate is to be executed by himself and in his own handwriting. The undertaker's certificate is to be executed by the undertaker or sexton who interred the deceased.

In all cases of sudden death, especially from questionable causes, the particulars and result of any investigation held in the case will be required.

The final proof for disability consists in the affidavits of the claimant and the attending physician, and the certificate of the employer. All of these documents are voluminous, with every possible question which may have bearing upon the case, but, in addition to the questions asked, companies have found it to their advantage to attach a "rider" to the papers, allowing the claimant to give a detailed statement in his own way of the facts in the case. Sometimes these statements are in direct conflict with the answers made in the body of the statement.

The notification blanks—to be sent to the company at once, or as soon as possible after the accident or sickness causing the claim—are described in the section on *agency*.

Classification of Risks. The classification of risks is a portion of the work which does not come properly in the accounting department, but which is attended to by those specially trained for the purpose.

Indemnity Funds. It is not the usual practice for accident or casualty companies to segregate any portion of their funds for the

[illegible]

Fig. 94. Reverse of Accident Insurance Collector's Record

particular purpose of the payment of claims, except as provided by the laws of the state in which they are incorporated, and the laws of the different states in which they do business. In order to protect the policy holders, the state requires a certain amount of money or satisfactory securities to be deposited with the state treasurer. This amount depends upon the capital and business of the company, and each state has an insurance commissioner to whom the companies make their annual reports in certain prescribed form. It is usual to deposit bonds or other approved securities to cover these demands, and the interest coupons, when due upon bonds so deposited, are clipped and forwarded to the company to whom they belong.

Investments. The investment of the surplus funds of an accident insurance company is conducted in a manner similar to that of the life insurance, fire insurance, or marine insurance companies. When a loan has been made or securities purchased, the bookkeeping department is given the *detailed information* at the time the check is made, which check is charged through the general cash to the investment account. The two classes of registers kept by most companies are those for the recording of bond purchases, and for the recording of mortgages on real estate. Some few make collateral loans, in which case the collateral register is required.

Register of Bonds Purchased. A very satisfactory form for the register of bonds purchased is ruled as follows: date bought, description, purchased from, rate of interest, interest due (columns for each month), cost, book value (it is frequently the case that the book value may be considered either more or less than the actual amount paid), par value, sale price, book loss, book gain, date of sale, remarks, expiration, and actual loss or gain. This is shown in Fig. 95.

The description of the bonds should be complete, giving the series and numbers, no matter if it takes up several lines of book space. The entries should always immediately follow the purchase, and the combined totals of the different investment registers must equal the total of the investment account in the general ledger, at all times.

Register of Mortgage Loans. This register should provide columns to show date of loan, to whom made, rate of interest (followed by the different months of the year, in which are checked the

months upon which interest becomes due), amount of loan, expiration, date paid, book, page, value of buildings, value of land, location, legal description, remarks, insurance. The ruling for this register is shown in Fig. 96. In connection with this book should be kept a tickler card for the insurance of each of the buildings covered by mortgages, so that there is no possibility of the insurance expiring while the loan is in force. This card, Fig. 97, should be 3×5 inches in size, giving the name of the assured, company, location

Assured _____		
Company _____		
Location and Disc. _____		
Date of Commencement _____		Amount Ins. _____
Date Paid	Amount Premium	Expiration

Fig. 97. Tickler Card for Insurance of Property Mortgaged

and description, date of commencement, amount of the insurance, date paid, amount of premium, expiration, and page in the mortgage loan register. These cards are filed chronologically so that they will come up about a month before the date of expiration.

The collateral loan register has been described in other sections.

Legal Department. Every company must have a thoroughly equipped legal department, as this is especially necessary for accident or casualty business on account of the fact that this class of insurance companies is more likely than any other to be called upon to pay fraudulent and unjust claims.

Coupons. The class of accident insurance which is provided for by the sale of tickets covering the risk for a certain period (from one to thirty days) and for a definite amount in case of death, injury, or

disability, is called the *coupon business*. Some companies use a vending machine wherein the applicant may deposit ten cents and receive a coupon policy with a postal card attached, insuring him for one week for a definite amount, commencing at the time of the day that the postal card is mailed, as evidenced by date of the post-office stamp thereon. In Fig. 98 is shown the face of the coupon post card forwarded to the company.

Policy No. 207614	INSTRUCTIONS		
WRITE your name and address in space below.			
DETACH this POST CARD, from POLICY and Keep Policy.			
MAIL this POST CARD, and YOU will be Insured according to terms of Policy for ONE WEEK, commencing at Time of Day this Post Card is Mailed, evidenced by the Date of Post-Office Stamp thereon.			
IF YOU want Double Insurance, Mail Two Post Cards at same time.			
IF YOU want more than ONE WEEK'S Insurance, Mail Post Card Once a Week, per Sections G and H of Policy.			
<i>North American Accident Insurance Co.</i>			
Signature of Assured.....			
Address.....			
Street No.	City or Town.	State	
Occupation of Assured.....			
Name of Beneficiary.....			Relationship.....

Fig. 98. Coupon of Post-Card Accident Policy

As to the accounting end of the coupon business, it is necessary where companies do this class of business to introduce a column for coupon receipts in the detail cash and in the general cash. In the claim department, the handling of these claims is similar to the handling of any other claim, but the totals are kept separate, so that the company may determine at every definite period the loss or gain from this branch of the business.

It is unnecessary to issue any additional policy and, as the expirations upon this business occur so soon after the receipt of the notification of insurance, no record is required other than the filing of the cards upon the expiration date, after which date the card is taken out, cancelled, and filed alphabetically. Sometimes the names obtained therefrom are valuable for the agency of the territory represented, as the risk may be secured by solicitation in the regular manner for a longer period.

All accident and sick benefit insurance is on the tontine basis, and is lapsed immediately by the non-payment of the monthly or annual premium, all of the money paid in reverting to the company. Some companies issue travelers' insurance tickets, which may be purchased at any railroad ticket office, insuring the holder for one day or more up to thirty days. Attached to this ticket is a stub to be sent to the company on the same day of its issuance, and a stub to be retained by the agent selling the insurance, as described under *coupons*.

NATIONAL CASUALTY COMPANY DETROIT, MICH.	
<i>This blank must be used when premium is paid after first day of the month.</i>	
Dated at _____ 19____	
I, _____, desirous of being reinstated as a Policy-holder of the NATIONAL CASUALTY COMPANY, under Policy No. _____, do hereby certify that I am in good health and am not suffering from any accident or sickness whatsoever.	
Signed _____	Applicant
Witness _____	

Fig. 100. Application for Reinstatement of Policy

Recording Policies. As the recording of policies by a broker or agent is only valuable to check the payments of the premium, a very simple form may be used for this purpose. The one shown in Fig. 99 is in book form, so that it may be carried in the pocket, and has space for the policy holder's name, number of the policy, rate, and several columns for checking the monthly payments. These columns are headed by months, and when the line has been checked out, it is necessary to re-enter the policy holder's name.

The premiums are payable in advance without notice, and must be paid to a duly authorized collector or at the home office. Failure to make payment when due renders the policy void, except that the policy may be reinstated at the option of the company within a cer-

tain period by paying all premiums in arrears, providing a statement is signed by the applicant testifying that he is in good health and free from injury. This statement is shown in Fig. 100.

Policy Holder's Receipt Book. Some companies issue a receipt book or form for the policy holder, as shown in Fig. 101. This form gives the name of the collector, street and number, name of policy holder, policy number, address, next payment due, with the spaces for date of payment, month on which it applies, number of days delinquent, amount, and the collector's signature. Change-of-address slips are furnished to the insured, so that the collector and the company may be promptly notified in case of any change. The form for this slip is shown in Fig. 102.

Name of Collector _____

Street and No. _____

Policy Holder _____ Policy No. _____

Address _____

Next Payment Due _____ And thereafter on or before the first of each succeeding month to the above named Collector or at Home Office.

DATE OF PAYMENT	MONTH ON WHICH IT APPLIES	NO. OF DAYS DELINQ'T	AMOUNT	COLLECTOR'S SIGNATURE
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.
				Local Coll. Accepted subject to all the conditions of the policy.

Please note all remittances payable to National Casualty Company. Always pay your premiums at least one month in advance, then you are always insured.

Fig. 101. Policy Holder's Receipt Book

Upon receiving any payment, the local agent or broker gives the receipt of the company countersigned by himself for the amount paid, showing the continuance of the policy, its term, and expiration. This form is shown in Fig. 103.

Application for Insurance. The application for insurance in an accident or a sick benefit company is very much more simple than that for regular life insurance, as no medical examination is required,

and the statements of the assured are all that are necessary to secure the protection. Accident insurance companies will not allow disability claims for more than the income of the assured, and most of them require that the total amount of indemnity shall not exceed two-thirds of the regular income. If the assured makes any misstatements in his application for insurance, the policy is liable to be vitiated, as the contract with the company rests upon the statements

made by the assured. If such statements were untrue or fraudulent, it would relieve the company from any responsibility.

The soliciting for accident insurance differs greatly in its character from that for regular life insurance. The success of a solicitor in the regular life line is in his persistence in following up prospects, but the agent in the accident business will tell you that his success depends upon his seeking *new business* rather than following up old. As this is the case, it is scarcely necessary for an agent in the accident insur-

CHANGE OF ADDRESS	
<i>Members: who have changed their address will please fill out this blank and hand the same to their collector.</i>	
Name in full _____	
Old Address	
Street _____	
City _____	
State _____	
New Address	
Street _____	
City _____	
State _____	
Policy No. _____	

Fig. 102. Change of Address

ance line to keep an elaborate filing system, as his most likely calls can be kept in a memorandum or diary. It is not well for a broker to make only one call upon a customer, if there seems to be any prospect of his ultimate success. The number of calls to be made can best be determined by the broker himself.

Negotiable Paper. It is often the case that an agent, in order to secure a customer at once, will take his note for all or part of the premium. As the company does not receive these notes and will accept nothing except cash, it devolves upon the agent to remit to the company the amount of premium covered by the notes, less his commission, and hold the notes for payment at his own risk. Where this is done to any extent, the agent should purchase a bills receiva-

ble book of the regular form, and enter the notes therein in the order received, showing the due date and their final payment.

Daily and Monthly Reports. Most companies require a daily report of receipts from general and local agents, consequently it is necessary for general agents to require a daily report from the agents and brokers working under them, especially where they are allowed to make collections. This report, Fig. 104, should show

This receipt is not valid unless dated and countersigned by the agent authorized to receive the premium as per notice sent by the Company.

\$100,000.00 Deposited with the State Treasurer for the Protection of Policy Holders.

NATIONAL CASUALTY COMPANY
DETROIT, MICH.

Received of _____

the sum of _____ DOLLARS,

continuing in force Policy No. _____ for the term of _____

months, from noon, Central Standard Time, of _____ 190____

provided that the statements and warranties in the original application were true when made, and are true to this date.

Countersigned at _____ NATIONAL CASUALTY COMPANY

Date _____

_____ Agent. _____ Secretary.

Fig. 103. Local Agent's Receipt to Policy Holder

the name and address of the agent or broker, the date of payment, month covered, name, number of policy, and amount. It should be signed by the agent and sent to the company or the general agency with a remittance covering the amount due.

The daily reports are summarized into a monthly report which is made at a definite period each month. This report includes the entire amount collected during the month, either for new business or renewal. The entries are made in numerical order and show the same data as is covered by the daily report. The total amount covers the premiums received. From this is deducted the agent's commission and exchange, and the balance if any, is forwarded to the

company or to the general agency. The general agent, in case the business is done with him, makes out a monthly report and forwards it to the home company with a remittance to cover the net amount due the company. The form for this report is shown in Fig. 105.

Solicitors' Accounts. The general agency in its dealings with its solicitors and brokers will naturally require more accounting than

[illegible]

Fig. 104. Accident Insurance Agent's Daily Report of Collections

is necessary for the agent himself. As payments are made daily into the general agency for new business and the collection of renewal premiums, it is necessary to keep ledger accounts with each of the agents, unless settlement of commission or brokerage be made from each report. In the latter case, it is only necessary to carry the entries through the cash book.

The general cash for an agency is a simple cash book with columns in the debit side to show receipts from new premiums, renewals, and miscellaneous, and, on the credit side, disbursements as recorded in

REPORT OF COLLECTIONS NATIONAL CASUALTY COMPANY.

DETROIT, MICH.

Premiums collected for month of _____

City or Town _____

19____

DATE OF PAYMENT	FOR MONTH OF	NAME	POLICY NO.	AMOUNT	DATE OF PAYMENT	FOR MONTH OF	NAME	POLICY NO.	AMOUNT
	1					31	Amount Forward		
	2					32			
	3					33			
	4					34			
	5					35			
	6					36			
	7					37			
	8					38			
	9					39			
	19					48			
	20					49			
	21					50			
	22					51			
	23					52			
	24						Amount Forward		
	25						Premiums.	\$	
	26						Commissions.	\$	
	27						Exchange.	\$	
	28						Amount Forwarded.	\$	
	29						Yours Truly.		
	30								
							Amount Forward		

Fig. 105. Monthly Report of Collections by Accident Insurance Agent

the general ledger, with a column for commissions, claims, and miscellaneous expense, as shown in Fig. 106.

In handling the miscellaneous expense, the system of the detail sheet described under life insurance (Fig. 19) is most desirable in connection with the class of small expenses not requiring the issuance of a check.

The payment of indemnity claims is not usually made by the company directly, but through a general agency, for a double reason: first, it gives the agency an opportunity to thoroughly investigate the claim, and sometimes prevents the payment of fraudulent claims; and second, it gives the agency an opportunity to secure a renewal of the insurance.

A general ledger should be kept by the agency and should be similar in form to the general ledgers already described. This ledger should contain the personal accounts of the general agents, cash account, new premiums, renewals, company's or (companies') accounts, commissions, collection expense, interest and discount, exchange, and such expense accounts as are deemed advisable, such as salary, wages, postage, stationery, advertising, etc. The controlling accounts for agent's or broker's ledgers (if such are kept) should also be carried in the general ledger.

Outside of the circulars and printed matter regularly furnished by the company, it is usual for general agents to pay for their own advertising, but some contracts are made wherein the company agrees to pay for a certain amount of advertising annually.

Like claims resulting from fire insurance, those for accident indemnity or sickness indemnity are very largely under the supervision of the general agency, and it is its duty to use the utmost discretion and diplomacy in making settlements, in order to protect the interests of the company and, at the same time, do justice to the assured.

Claims for Indemnity. When a claim is made for indemnity, either for accident or sickness, it is necessary to procure from the claimant an immediate statement covering all of the particulars of the claim as soon after accident as possible and as soon as illness begins. This statement must be certified to before a notary public and signed by the agent or adjuster.

Accompanying the statement of the claimant is the statement

made by the attending physician as evidence of the claim of the assured. The physician answers the questions prescribed, stating the extent and the precise nature of the injury, with such information as he is able to give regarding the length of time the insured was disabled. This statement must be signed by the attending physician and also certified to before a notary public.

The blanks for sickness disability claim are similar in nature to the accident claim, with such differences in the questions asked as would be necessary under the circumstances. Proofs of accident or sick benefit death claims were described under *accident home-office department*.

REAL ESTATE ACCOUNTING

In considering the subject of accounting for the real estate business the different phases of the business must first be taken up in order to thoroughly understand the various departments necessary for consideration.

The business of a real estate agency is usually divided into three principal departments:

- (1) Selling real estate.
- (2) Leasing and renting property.
- (3) Loans on real estate.

The sale of real estate varies largely in different agencies. There are some agents who confine their business exclusively to wild lands and unimproved property; others sell farms and country real estate; others deal almost exclusively in city residence property; and some make a specialty of selling city business property. Usually the real estate agents who deal in wild land and farms do very little, if any, renting business, although many of them negotiate loans. The city real estate agents frequently unite the renting of property with its sale, and some city agents make rentals their principal, and some their only, business.

Owing to the diversity of the business, it is necessary to make the accounting conform to the line handled by the agency, but the endeavor will be to cover the ground in such a thorough manner that the student will be enabled to select that portion necessary to cover the needs of his employer.

SALES

The sale of farm land, and unimproved property in general, is frequently accomplished without meeting the principals, all of the business being done by mail, but the sale of improved property is very seldom accomplished without a personal knowledge of the property and the acquaintance of the prospective purchaser.

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CHICAGO, ILL.,.....19..

To.....

I HEREBY GRANT YOU, for a period ofmonths from this date, and thereafter until this agreement is revoked by notice in writing delivered to you, the exclusive right to sell the property hereinafter described; and in consideration of your accepting said agency and endeavoring to sell said property I agree to pay you a commission ofper cent of the price obtained if a purchaser is procured during said period, by you or me or anyone else, upon the terms named or upon any other terms which I shall accept.

Said property is known as Number.....Street, Chicago, and is improved with.....

The legal description is

.....

The price of said property isdollars.

The terms of sale are as follows: The sum ofdollars is, upon the signing of an agreement of sale, to be paid by the purchaser as earnest money, and said agreement and earnest money are to be held byin escrow.

The further sum ofdollars is to be paid upon acceptance of the title and delivery and acceptance of a sufficient warranty deed conveying a good title to said premises. Both of said sums are to be paid to me upon delivery of said deed. The said conveyance is to be made subject to the following incumbrance, viz:

.....dollars due19...with interest atper cent per annum.

.....dollars due19...with interest atper cent per annum.

The principal of said incumbrance is to be deducted from the purchase price above named, and the interest thereon is to be pro-rated as of the date of the delivery of said deed.

Payment ofdollars of said purchase price may be deferred for not more thanyears, with interest atper cent per annum, evidenced by notes secured by trust deed, which are to be delivered to me at the time of delivery of said deed. The principal may be made payable on or before a given date.

I agree to deliver, at my option, either a merchantable abstract of title or a title guarantee policy for the amount of the above-named purchase price covering said property and brought down to the date of the agreement of sale above provided for; and within five days after the acceptance of the said title I agree to deliver a good and sufficient warranty deed conveying said property in accordance with such agreement.

Singular pronouns of the first person shall be read as plural when this agreement is signed by two or more persons.

.....[SEAL.]

ACCEPTED.[SEAL.]

.....[SEAL.]

Fig. 1. Contract of Owner with Real Estate Agent

Owner's Agent. The first thing necessary for a real estate agent in the handling of property is a contract with the owner, drawn in such a manner that the agent will be fully authorized to make the sale at a certain stated figure and upon certain conditions. The commission to be received should be stipulated, and many agents refuse to list property unless they are given the "exclusive right." This exclusive right does not preclude the owner or any one else from making a sale; but, in case it is done while the contract is in force, the agent having such a contract is entitled to the commissions accruing from the sale as though he had negotiated and closed it. A form for a contract with the owner is shown in Fig. 1.

The relationship between agents, their principals, and third parties, and the rights and liabilities of the same, are matters worthy of serious consideration, and should be thoroughly understood before one becomes involved as any of the three parties. A very important point to which attention is called, is the signing by an agent of any negotiable instrument or contract under seal. This instrument should be signed, the name of the principal first, *by Henry Smith, agent*, and not *Henry Smith, agent for the principal*. The latter method throws a personal liability upon the agent which is avoided by a proper signature.

Upon making a sale, a contract is taken from the buyer and one given to the buyer by the agent. The revised sale contract which was approved by the Chicago Real Estate Board, February 4th, 1903, and which has been in universal use by the real estate men of Chicago since that date, is shown in Fig. 2. Prior to the adoption of this contract, there were many different contracts used with a variety of wording, causing endless differences between the buyer and the seller. In making up the present form, the Real Estate Board made a careful revision of all the contracts in use. The revised sale contract as approved by the Board is considered flawless.

Upon receiving the signed contract from the buyer, together with the amount paid as earnest money to close the sale, the agent gives a contract for sale to the buyer, either as shown in Fig. 3 or Fig. 4. In this contract, the agent acknowledges the purchase of certain property by the buyer, shows the price paid, and gives the terms and receipts for the amount paid as earnest money. The con-

REAL ESTATE ACCOUNTING

THIS MEMORANDUM WITNESSETH, That hereby agree to purchase at the price of Dollars, the following described real estate, situated in the County of Cook and State of Illinois:

Section Township North, Range East of the Third Principal Meridian and agree to sell said premises at said price, and to convey to said purchaser a good and merchantable title thereto, by general Warranty Deed, with release of dower and Homestead rights, but subject to: (1) existing leases, expiring the purchaser to be entitled to the rents from (2) all taxes and assessments levied after the year 19...; (3) any unpaid special taxes or special assessments levied for improvements not yet completed and to unpaid installments of special assessments which fall due after levied for improvements completed; also subject to any party wall agreements of record; to building line restrictions and building restrictions of record, and to Premiums on insurance policies held by Mortgagees shall be paid for by said first party pro rata for the unexpired time. Said purchaser has paid Dollars, as earnest money, to be applied on such purchase when consummated, and agrees to pay within five days after the title has been examined and found good, or accepted by him, said insurance premium and the further sum of Dollars, at the office of Chicago, provided a good and sufficient general Warranty Deed, conveying to said purchaser a good and merchantable title to said premises (subject as aforesaid), shall then be ready for delivery. The balance to be paid as follows: with interest from the date hereof at the rate of per cent per annum, payable semi-annually, to be secured by the purchaser's notes and mortgage, or trust deed, of even date herewith, on said premises, in the form known as the CHICAGO REAL ESTATE BOARD FORM, for improved property.

A Certificate of Title issued by the Registrar of Titles of Cook County, or complete merchantable Abstract of Title, or merchantable copy, brought down to date hereof, or merchantable title Guaranty Policy, shall be furnished by the vendor within a reasonable time, which abstract shall, upon the consummation of this sale, remain with the vendor, or his assigns, as part of his security, until the deferred installments are fully paid. The purchaser or his attorney if an abstract or copy be furnished shall, within ten days after receiving such abstract, deliver to the vendor or his agent (together with the abstract), a note or memorandum in writing, signed by him or his attorney, specifying in detail the objections he makes to the title, if any; or if none, then stating in substance that the same is satisfactory. In case material defects be found in said title, and so reported, then if such defects be not cured within sixty days after such notice thereof, this contract shall, at the purchaser's option become absolutely null and void, and said earnest money shall be returned; notice of such election to be given to the vendor; but the purchaser may nevertheless elect to take such title as it then is, and in such case the vendor shall convey, as above agreed; provided, however, that such purchaser shall have first given a written notice of such election, within ten days after the expiration of the said sixty days, and tendered performance hereof on his part. In default of such notice of election to perform, and accompanying tender, within the time so limited, the purchaser shall, without further action by either party, be deemed to have abandoned his claim upon said premises, and thereupon this contract shall cease to have any force or effect as against said premises, or the title thereto, or any right or interest therein, but not otherwise.

Should said purchaser fail to perform this contract promptly on his part, at the time and in the manner herein specified, the earnest money paid as above, shall, at the option of the vendor, be retained by the vendor as liquidated damages, and this contract shall thereupon become and be null and void. Time is of the essence of this contract, and of all the conditions hereof.

The notices required to be given by the terms of this agreement shall in all cases be construed to mean notices in writing, signed by or on behalf of the party giving the same, and the same may be served either upon the other party or his agent.

If the taxes and assessments to be paid by the vendor cannot be paid at time this contract is to be closed then the vendor is to pay same on or before May 1st, next ensuing.

This contract and the said earnest money shall be held by for the mutual benefit of the parties concerned, and after the consummation of the sale he... shall be at liberty to retain the cancelled contract permanently; and it shall be the duty of said in case said earnest money be retained as herein provided, to apply the same, first, to the payment of any expenses incurred for the vendor by his agent in said matter, and second, to the payment to vendor's broker of a commission of per cent on the selling price herein mentioned, for his services in procuring this contract rendering the over-plus to the vendor.

WITNESS the hands of the parties hereto, this day of A. D. 19..

Fig. 2. Revised Sale Contract Approved by the Chicago Real Estate Board

CONTRACT FOR SALE OF REAL ESTATE

CHICAGO, 19..

Received of Dollars, as part payment toward the purchase of the following described Real Estate:

.....

which is hereby bargained and sold to the said Dollars,
 for the sum of Dollars,
 more to be paid on the delivery of a good and sufficient Warranty Deed of conveyance of the same within days from this date, or as much sooner thereafter as the deed is ready for delivery, after the title has been examined and found good, and the balance to be paid as follows:

.....

To be secured by Trust Deed or Mortgage on the property above described. Should the title to the property not prove good, then this \$..... to be refunded. But should the said fail to perform this Contract on his part promptly at the time and in the manner above specified (time being of the essence of this Contract), then the above Dollars shall be forfeited by as liquidated damages, and the above contract shall be and become null and void.

..... [SEAL.]
 [SEAL.]
 [SEAL.]
 [SEAL.]

Fig. 3. One Form of Contract of Sale of Real Estate

tracts above mentioned stand until the delivery of the deeds and abstract or guaranty of title.

Option Sales. An *option* on real estate means the privilege of buying at the expiration of, or within, a given period at prices determined at the time of the execution of the contract. In order to possess these rights, one must pay some other party a sum of money sufficient to induce him to take the risk of signing such a contract. When an

CHICAGO, ILL.,.....	19..
.....has this day purchased, and.....	
as agent for the owner, has sold to be conveyed by.....Deed the	
premises known as.....	
for \$....., on the terms specified on the back hereof, subject to	
any taxes and assessments for 19...., payable next year, and to any unpaid	
assessments under which the improvements have not been made, and to all	
leases now on the property. Said.....	
has paid.....Dollars as earnest money; to be ap-	
plied on account of said purchase when consummated. In case the title,	
upon examination, is found defective, within ten days after the abstract is	
furnished for that purpose, then unless the defect be cured within thirty	
days after written notice of same to said agent or owner, the said earnest	
money shall be refunded. If the conditions of the sale are not complied	
with within ten days after a merchantable title is shown, said deposit may	
at the option of said agent or owner be forfeited as commissions and liqui-	
dated damages. Time is of the essence of this agreement.	
It is understood and agreed that this receipt shall in no manner be a lien	
on the premises hereinbefore described, and the recording of this receipt	
shall entirely void the same.	
[EXECUTED IN DUPLICATE.]	
.....	
.....	

Fig. 4. Another Form of Contract of Sale of Real Estate

agent gives an option for the purchase of a certain piece of property, he executes an option contract, Fig. 5, in which he agrees to sell certain property for a certain price at a stipulated time, or at any time before the date stipulated. If the buyer does not close the agreement, paying over the additional amount required and accepting the property before the expiration of the option, he loses and forfeits the amount paid.

Property Record. The first necessity for the listing of property for sale is a condensed, readily accessible record, showing in regard to each tract of land substantially the following information: location, acreage, owner, chain of title, conflicting claims, character of the property, liens, and other information. The card, as shown by Fig. 6, should be printed on light-weight cardboard, preferably of letter

I,
of for and in consideration of the sum
of Dollars to in hand paid
by
of do hereby give to the said
..... heirs and assigns, the privilege of purchasing on or before the
..... day of A. D. 19.., the following de-
scribed real estate, situated in the County of and State of
Illinois, to-wit:

.....
.....
.....
at and for the price of Dollars, to be paid as follows, viz:
..... Dollars in cash and the sum of
..... Dollars

.....
to be secured by a mortgage or trust deed on said real estate in form to be,
satisfactory to
said cash payment to be made and securities delivered on or before the
..... day of A. D. 19.., to.....

I ALSO AGREE To furnish a certificate of title issued by the Registrar
of Titles of Cook County or a complete merchantable abstract of title, or a
merchantable copy, brought down to date, or a merchantable title guaranty
policy, showing good title to said real estate. In case the privilege of pur-
chase hereby given is exercised, the price above named paid and secured,
and the securities accepted, as above provided, I agree to convey and as-
sure the said real estate to said
heirs or assigns, by a good and sufficient deed,
reciting a consideration of \$ free and clear of all liens or
incumbrances whatsoever, except as to taxes, assessments or impositions
levied, assessed or imposed upon said real estate subsequent to.....

THIS INSTRUMENT Shall not be recorded, but is deposited by the
said by mutual agreement, with
..... and in case the privilege of purchase
hereby given is not exercised and the conditions hereof fully performed by
said heirs or assigns, and written
notice of such exercise and performance given by
to said on or before the day of
..... A. D. 19.., said privilege shall thereupon wholly cease
(but no liability to refund the money paid therefor shall arise); said abstracts
of title be returned in good order, and said
shall at once surrender this instrument to
for cancellation. During the existence of said privilege of purchase, this
instrument shall be binding on heirs, executors, administra-
tors, and assigns, who may exercise the rights herein reserved by
and receive the surrender above mentioned.

WITNESS MY HAND AND SEAL, This day of A. D. 19..
..... [SEAL.]

Fig. 5. Real Estate Option Contract

size, to fit a vertical filing case. The use of this system will obviate the necessity for an attorney to refer to the file, the original deeds, or even copies thereof for any information. The card itself refers

OWNER _____				FILE NO. _____			
NAME OF TRACT _____				LOCAL NAME _____		MAP NO. _____	
ESTATE _____		STATED ACREAGE _____		CORRECT ACREAGE _____			
STATE _____		COUNTY _____		TOWN _____		RANGE _____	
RIVER _____		CREEK _____		BRANCH _____			
CHAIN OF TITLE							
GRANTOR	GRANTEE	DATE OF DEED	PUBLIC RECORDS		FILE	NUMBER DEED	
			BOOK	PAGE			
1							
2							
3							
4							
PRIVELEGES _____							
RESERVATIONS _____							
ABSTRACTED BY _____							
DATE _____							
SOURCE OF TITLE _____							
KINDRED SUBJECTS _____				TOTAL LIENS _____			
MINERAL _____							
TIMBER _____							
OTHER INTERESTS _____							
ADVERSE CLAIMS _____							
TIMBER _____							
LEESEE _____				TERM _____			
SURVEYED BY _____							
DATE _____							
DATE CARD MADE _____				SUPERSEDING CARD MADE _____			

Fig. 6. Property Card Showing Title

to the file, to the public records where the deeds are recorded, and to the place where the original deeds may be found, and gives all of the information necessary in establishing the chain of title. If it is desired to know how this piece of land lies with reference to other land, the

proper directions will be found for the proper map upon the card. The card also shows what abstracts and surveys have been made; tells whether it is mineral, timber, or agricultural; tells whether it has been leased, and, if so, the term and rental; and shows by whom surveyed.

The cards may be written in duplicate or triplicate upon a wide-platen typewriter, and the sets can be arranged by both alphabetical and geographical divisions with guide cards at proper distances. It is very desirable to use distinguishing colors for classification—say, wild land, farm land, timber land, mineral land, improved property, etc. By using a distinctive color for each of the classifications desired, it is a very easy matter to select timber lands, for instance, by running through the cards for the district desired, and selecting those of the right color. Any information in regard to the property or the contract which appears to be of value and for which a space is not allotted on the face of the card, may be written with an ordinary typewriter upon the back, and all negotiations regarding contracts, etc., may be made thereon.

Sales of Farm Property. In listing farm property for sale, a card 5×8 inches in size should be used, upon which is entered as complete a description as possible of the property offered for sale. The description as given by the owner should be guaranteed to be correct, so that the agent may have recourse upon the owner if his efforts to sell fail through any untrue statement made by the owner in regard to the property. The contract for the sale should have embodied in it the information which is afterwards typewritten upon the cards. By having the cards made on a light-weight cardboard, it will be possible to make two or three at one writing, thus enabling the agent to list according to alphabetical names of owners, location of property, or proportionate values, as preferred; for instance, if a man desired to buy a \$5,000 farm, it would be much better to be able to turn immediately to the line of farms of that value or near it, than it would be to be obliged to run through the entire list in order to find something satisfactory. A good form for this record card is shown in Fig. 7.

Dealers who make a specialty of selling farm property usually secure as many listings as possible, so that they will be able to satisfy clients desiring to purchase farms in any locality, and, as their business

is done largely by mail, the same records are necessary as would be used in other mail-order propositions, as far as the detail of correspondence and following up is concerned. It is found to be much easier to secure a large list of property for sale than it is to find buyers for the property. It is therefore doubly necessary to keep closely in touch with all prospective customers, and it is not wise to allow them to "die on the books" simply because one attempt with them has failed. Constant and consistent following of the prospect will frequently result in the securing of a profitable customer. A card

Contract No. _____			FARM PROPERTY FOR SALE		
Description _____		No. of Acres _____		Range _____	
Town _____		County _____		State _____	
Owned by _____			Address _____		
Mortgage \$ _____		@ _____	% _____	Due _____	
Held by _____		Expires _____		19 _____	
Improvements _____					
Planted in _____		Acres _____		Acres _____	
Timber Land _____		Acres _____			
Price \$ _____		Terms _____			
Remarks _____					

Fig. 7. Card Showing Description of Farm Property for Sale

list of all prospective buyers should be kept, preferably upon red cards. There is no particular form required for this card, as it is the object to record thereon the name and address of the buyer, and to concisely specify the class of property he wants and about what he is willing to pay. The locality desired should also be mentioned. These cards should be kept in a tickler file with the days of the month, the month, and year, and should be followed consistently until all prospects of doing business are at an end, or seem to be at an end. Even after all possible hope of doing business is given up, it is advisable to remove the card to six months ahead, and, when that time arrives, to send a courteous letter endeavoring to renew the prospect. This is also advisable with those to whom sales have been made, for

Land Contract Register. Upon the sale of a tract of land upon which long time is given, the contract for sale should be entered in detail in the land contract register shown in Fig. 8. This form provides for the entry on one side of the dimensions, location, sublot, allotment or subdivision, original lot, township, insurance required, and insurance received. On the other side, in the heading, is given the land contract number, with whom the contract was made, address, rate columns, giving dates and amount of partial payments, with a checking column for each payment, and a double set of columns for the payment of interest, showing date paid, date paid to, and amount.

This register is practically a ledger account with each of the buyers, and the entries in the rate column of the different amounts due at different times would be covered by notes, and consequently appear in the bills receivable account, with which this portion of the ledger should balance, providing all contracts have been entered. The payments of interest, as shown on the cash book and thrown into the interest account, are posted to these sheets in the interest column.

Sale of City Property. The sale and listing of city property is quite a different matter from that heretofore described, and, as the movement in large centers far exceeds the movement in country property, a very large percentage of the real estate business is concentrated in the larger centers of trade.

The various classes of property handled and sold by real estate men in cities are lots, dwellings, apartment houses, and business property. All flat buildings are considered as apartment houses in this classification. Some real estate agents also handle suburban property, acreage, vacant, and improved property.

The first transaction necessary upon making a contract with the owner to act as his agent for the sale of property, is to make a record of the contract in brief in the contract register. These records should follow in numerical sequence as received, and should give number, date, name of owner, class of property and price, as Fig. 9. Example: *6810, December 8th, 1909, Henry Patterson, dwelling, \$4,500.00.*

The full description of the property offered for sale is listed upon a card giving: number, street, city or town, sale price, stories, material,

when built, finish, number of rooms, water closet, bath, to rent (date and time), mortgage (if any, at —%, due, held by), frontage of lot, depth of lot, heated by, now leased, sewer, water, gas or electric light, fireplace, set tubs, laundry, lowest price, terms, building taxed, land taxed, insurance, will trade, stable, distance from cars, distance from

[illegible]

Fig. 9. Register of Properties Listed for Sale

street, style of porches, hours for inspection, possession, sign, name and address of owner, date of contract, commission, given by, keys at, and remarks. On the back of this card, it is very convenient to have printed the form of a city block, upon which may be shown by a crude drawing the exact location of the house, and whether it faces north, south, east, or west. The front of this card is shown in Fig. 10. The back is the same as that shown in Fig. 20.

The card should be at least 5×8 inches in size, although many agents use a card 3×5 inches. With the smaller card, it is difficult to enter a full description of the property.

In case the contract is for a lot for sale, it should be numbered

as stated, and the description entered upon a card similar in size to the one just described; it should show street, between what streets, size, legal description, excavated, graded, sign, price, mortgages

DWELLING FOR SALE									
No. Contract		Street No.		City or Town			Sale Price		
Stories		Built of		Finished In		Rooms	W. C.	Bath	To Rent
Mortgage		When Built					Date	Time	
Rate		Time Held By		Sq. Ft. Land		Lot Front		Lot Depth	
Heated By		Now Leased		Sewer	Water	Gas or Electric		Fire Place	Laundry Set Tubs
Lowest Price		Terms		Bldg. Taxed Land	Will Trade		Stable		Distance from Cars
Style of Porch		Hours for Inspection		Possession		Date of Contract		Commission	
Sign								Insurance	
Owners Name						Address			
Given me by						Keys			
Remarks									

Fig. 10. Card Giving a Description of Dwelling for Sale

LOT FOR SALE				
Contract No.		Street		bet.
Size		x		
Legal Description				
Excavated		Graded		
Sign		Price		
Mortgage	\$	@	% due	Held
Name of Owner				
Address of Owner				
Terms				
Remarks				
Date				

Fig. 11. Card Description of Vacant Lot for Sale

(at — %, due, held by), name and address of owner, terms, and date. This form is shown in Fig. 11.

In case the contract is for an apartment house for sale, the card

should show the number of the contract, street number, between what streets, number of stories, material, whether with or without stores, size of lot, families on a floor, whether non-fire-proof or semi-fire-proof, number of flats, number of rooms in each flat, number of baths, elevator, light, hall service, steam heat, hot water, mortgages (at —%, due, held by), when built, present condition, price, owner, owner's address, the amount of taxes, insurance, running expense, and the total expense, gross rent received, and net income. Fig. 12 shows this form.

Contract No.									
APARTMENT HOUSE FOR SALE									
No.		Street				bet.			
Stories		Material		With		Without		Stores	
Size	x	Lot	x	Families on a floor				Non	Fireproof
Elevator		Light		Hall Service		Steam Heat		Semi	Hot Water
Mortgage	\$	@		% due		Held by			
No. of flats		No. Rooms each flat				No. Baths			
When built		Present Condition				Taxes \$			
Price	\$	Insurance				\$			
Owner		Running Expense				\$			
Address		Total Expense				\$			
		Gross Rent				\$			
Date		Net Income				\$			

Fig. 12. Card Description of an Apartment House for Sale

In case the contract is for business property for sale, the card should show the contract number, street number and between what streets, stories, material, when built, size of lot, whether office building, loft building, factory building, stable, or store building, elevator, taxes, insurance, running expense, total expense, gross rental, net income, possession, sign, now occupied by, business, term of lease, mortgages (at —%, due, held by), price, terms, owner, the owner's address, and date, as shown in Fig. 13.

If a real estate office would be thoroughly equipped, it should make these cards up in triplicate, filing according to name of owner in one file, location in another, and according to approximate price charged in another file, each with the proper subdividing cards. While this causes a little extra work at first (although not as much as

one would think, on account of the fact that three sets of cards can be made at one writing), this plan will be found to be labor-saving in the end, and frequently will effect a sale on account of having everything at hand to meet a customer's wishes. It is a good plan to use white cards for alphabetical lists, light green or blue for location lists, and salmon for approximate price lists.

All of the information until the deal is consummated is covered in the contract, the record, and the description cards, as given, no matter what the character of the property to be sold. The contracts should be numbered according to the register number and filed consecutively, so that they may be available if needed.

Contract No. _____		BUSINESS PROPERTY FOR SALE	
Street No. _____		Street _____ bet _____	
Stories _____	Material _____	When Built _____	
Size _____ x _____	Lot _____ x _____	Office Bldg.	Factory Stable
Store Bldg.	Now occupied by _____		
Business _____	For _____ years	Elevator _____	
Possession _____	Taxes \$ _____	Gross Rent \$ _____	
	Insurance \$ _____	Net Income \$ _____	
	Running Exp. \$ _____	Held by _____	
Sign _____	Total Exp. \$ _____		
Mortgage \$ _____	@ _____ % due		
	@ _____ % due		
Price _____			
Owner _____	Address _____		
	Date _____		

Fig. 13 Description Card for Listing Business Property for Sale

Accounting Department. The books of accounting for the sale of real estate are very simple, consisting of cash book, journal, ledger, note register, and duplicate report of sale. As most sales are made with a cash payment, the balance due on time and secured by mortgage on the property, the mortgage papers and notes must be made out to conform with the contract of sale. An abstract of title must be furnished to the buyer, unless the title is guaranteed by a title guaranty company. As large transactions are invariably for the sale of property already carrying one or two mortgages, where the buyer purchases an equity, the mortgage taken to secure the purchase notes must follow those already on the property. When a piece of property is sold,

the amount of cash received is entered upon the cash book to the credit of the seller. The seller is charged up with the total amount of commissions on the deal through the journal. A report of sale is made and forwarded to the seller with a check for the difference due him. In case the collection of the notes taken upon the property is left in the hands of the real estate dealer, he receipts for the notes to the seller and reports them regularly as collected, remitting the amount less his commissions for collections. As the journal and

REPORT OF SALE BY CENTRAL REAL ESTATE COMPANY	
TO.....	19..
We have this day sold property described under contract No.....	
given.....	19..
for the sum of \$..... of which sum \$..... was covered by mortgage	
at the time of the sale. The buyer has paid \$..... and given notes	
secured by..... mortgage as follows.....	
.....	
.....	
Inclosed find our check for \$..... in full less our commission	
of \$.....	
Yours truly,	
CENTRAL REAL ESTATE COMPANY,	
Per	

Fig. 14. Report of Sale of Real Estate

ledger do not depart from ordinary forms, and the bills receivable or note register can be procured in any stationery store, it is not necessary to go further into detail in regard to it. The form for the report of sale is shown in Fig. 14.

Cash Book—Real Estate Sales. The form of cash book herewith described, and shown in Fig. 15, is intended for the use of such firms as do a selling business only, and do not transact any rental business. It provides for the entry of the contract number of the sale, the amount, interest, commissions, general ledger, posting folio, item space, and, on the credit side, general ledger, commissions, chargeable expense, and general expense. In making the sale, the contract number is entered in the proper column with the amount of cash received upon the sale. This amount is credited in the land contract ledger, and, at the end of the month, the total amount is credited to that account by being entered in the general ledger column and being posted therefrom.

On the credit side, the commission column is intended for only entries of commissions paid out to others for their assistance in closing up deals. The chargeable expense is that amount that can be or should be charged against the land contract, and this amount should be either posted to the individual account in the general ledger (if one is carried) or to the land contract ledger. The general expense column is intended for the miscellaneous expenses necessary in running the office, including salary, wages, advertising, rent, light and heat, postage, and any other small items. This column should be analyzed at the end of the month, and the total

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31							
Date _____ 19____																																					
Name _____																																					
Residence _____															Where to be seen _____																						
Interested in Flat _____															Wants to Buy _____																						
"		"		Dwelling _____															"		"		Rent _____														
"		"		Lots _____															"		"																
"		"		Vacant _____															Terms Offered _____																		
"		"		Business _____															Date _____																		
"		"		Manfg _____																																	
Written Date _____																																					
Seen Date _____																																					
Further remarks on back of card.																																					

Fig. 16 Follow-up Card for Real Estate Agency

amount for each class of expense charged to its proper account in the general ledger by entry in, and posting from, the general ledger column.

The commission column on the debit side is intended to show only such commission receipts as are paid in cash by other agents, and not those deducted from sales for which subsequent reports are made.

Pushing for Business. The enterprising real estate agent follows up every possibility in the line of making a sale of property, renting a dwelling, business place, or flat, or bringing to completion any transaction connected with his business. It is quite necessary,

in order that the many lines may not become entangled, to have a thorough follow-up or tickler system.

For this purpose, a card referring to the main features of the property for sale or rent is kept in a chronological file, with the names of those parties interested, and all of the particulars in regard to the agent's dealing with the prospective buyer or renter. It is not necessary to make out this card until the prospect appears, and there is some possibility of interesting him in the property. A customer may intimate that he intends to invest some money in property of some character in a certain location. This customer's name is put on the tickler card with such general information as is necessary. Along the top of the card it is well to have the days of the month indicated so that, should the customer contemplate a deal or make an appointment for any certain day, the card can have a marker put on that date, besides being filed in its proper place; this makes it doubly sure that the matter will receive attention. The best form for a card of this character is shown in Fig. 16.

Guaranty Companies. In order to avoid the necessity of long research and delays in providing abstracts of title, especially on city property, companies have been formed who guarantee titles for a small amount on a basis similar to insurance. These companies have ample capital and, upon application, they have the title to certain property run down and satisfy themselves that the chain is complete and the title is good. They then issue a certificate which is acceptable in most cases to either the purchaser of property or the mortgagor. Being continuously in this line of business, and having every opportunity for inspection of the records, the guaranty of a reputable company is not only a saving, but is really preferable to a special abstract of title.

Real Estate Transfer Record. Where real estate men are engaged in selling out a subdivision or newly platted addition, it is sometimes very valuable for them to keep a record of the transfers of lots in the addition, for their own information, making it unnecessary to be constantly referring to the books in the recorder's office. For this purpose, the form shown in Fig. 17 is used. It gives the blocks, map, book recorded, page, grantor, grantee, number and kind of instrument, date of filing, month, day, and year recorded, book and page recorded, and the lot number.

LEASING AND RENTING

Perhaps the largest portion of a real estate man's business, and certainly the portion which occupies the greatest proportion of his time, especially in cities, is the leasing or renting of residence, business, and manufacturing property. Many real estate men in cities find a sufficient amount of business to create a large income by the handling of a few business blocks, and the renting of the stores and offices therein.

The same character of card system which has been suggested for the selling of property is quite as necessary, if not more so, to

No. Contract		Street & Number			Town or City			Sale Price	
Stone or House		Built of	Finished in	No. of Rooms		W.C.	Bath	Cellar	To Rent Date Time
Monfg.	Rate	When Built	Time	Sq. ft. of Land	Lot Front Bldg.	Lot Depth Bldg.	Sewer	How Leased	
Held By		How Leased	Water	Gas	Electric	Line	Place	Mantels	Set Tubs
Laundry	Fruit Trees	Porch	Screens	Storm	House	Range	No. of Stories		
Lowest Price	Terms	Bldg. Taxed	Land Taxed	Will Trade			Stable	Other Bldgs.	
Distance from Cars		Side of Street	Furnace	Steam Heat	No. of Entrances				
Elevator									
Owned By		Address						Date	
Key At		Business Received From						Commission	
Other Agents									
Remarks									

Fig. 18. Card for a General Description of Property for Rent

facilitate rental. These cards should be made out in triplicate so as to afford instant reference either by location, character of property, or rental price.

A card system which is properly handled is most desirable. It is superior to any book record, because all dead material may be promptly removed; it is capable of unlimited expansion, and may be subdivided and classified in as many different ways as are found necessary. It is very convenient, in order to readily discover and pick out certain properties desired, to use cards of different colors. For instance, for dwellings a white card might be used, for apartments or flats a light green, a salmon card for business blocks, and as many other variations as are needed in the business.

There is no necessity for the loss of any card. It is usually the case that the reference card contains some information which it is not desirable for the prospective renter to know, such as commissions, etc.; it is therefore best to have a special form of card or slip, called a *working card*, upon which may be noted the principal points of information intended for the customer's use.

Forms like the one presented herewith, Fig. 18, will be found very satisfactory for listing property to rent. The record gives a very complete description of the property in condensed form, and,

Contract No.		APARTMENT FOR RENT		
Street No.		Street		bet.
Stories		Material		Steam Heat
Elevator		Electric Lights		Hall Service
Telephone		Janitor		
Floor	No. of Rooms	Rent	Possession	Remarks
Owner				
Address				
Date				

Fig. 18. Special Card for Listing Apartments for Rent

when desired, a form of contract can be printed on the reverse side covering the agent's agreement with the owner. It is also desirable sometimes to have on the back of the form a figure printed in such a manner as to illustrate the exact location of the property on the street, as was mentioned in sales department.

The card best suited for apartments or flats for rent is shown in Fig. 19. It gives number of contract, number and name of street, between what streets, stories, material, steam heat, hot water, elevator, electric lights, hall service, telephone, janitor, floor, number of rooms, rental, possession, remarks, owner, address of owner, and date.

The card best suited for business property for rent is the one shown in Fig. 20. It gives the contract number, location, between what streets, stories, material, whether store, office, loft, factory, or

VOUCHER RECORD										
	DATE	VOUCHER NUMBER	TO WHOM	FOR	ACCOUNT OF	AMOUNT	WHEN PAID	BY WHOM	CHECK NUMBER	REMARKS
			<i>Amount Brought Forward</i>							
	00									
	1									
	2									
	3									
	4									
	5									
	6									
	39									
	40									
	41									
	42									
	43									
	44									
	45									
	46									
	47									
	48									
	49									
			<i>Amount Carried Forward</i>							

Fig. 23. A Simple Form of Voucher Register

(the only proper method), the credit side of the cash book will answer the purposes of the check register, unless the money is deposited in more than one bank. In this case, it is necessary to have a check register for each bank. The form of voucher check suggested is shown in Fig. 22.

Voucher Record. The vouchers should be made out for the payment of bills as soon as the bills have been *O.K.'d*, even though the check is not sent for some time thereafter. The particular reason for this in the real estate rental business is that the posting of amounts paid out on account of the owners of various properties is made from the voucher record, and an immediate entry of the bills in this record and posting of the same to the owners' accounts will bring into the monthly statement all the charges for the month which have been paid or assumed for payment by the agent.

The form for the voucher record, as shown in Fig. 23, is as follows: date, voucher number, to whom, for, account of, amount, when paid, by check number, and remarks.

Rent Record. The most important record book is either a bound or a loose-leaf book called the *rent roll*. The loose-leaf arrangement is preferred for this book, particularly on account of the fact that the record is kept alphabetically by owner's name, and, where one owner has several pieces of property in the hands of a real estate agent for rental, a sheet may be kept by the loose-leaf method for each piece of property separately, and still have the entire account together to facilitate the making of the monthly statements. In a bound book, it is customary to give a certain amount of space to each owner, and, where this space proves inadequate, it is frequently necessary to skip to other portions of the book, or even to the extra pages, in order to provide space for the different pieces of property listed. This makes it very difficult to post and troublesome for statement making.

The form necessary for this work is shown in Fig. 24, and provides spaces for the entry of name of owner and address at the head of the sheet, columns for kind of property, street, number, name of tenant, amount of rent per month, and, under the different months of the year, the date of payment and the amount paid. In entering to this book, each set of apartments in an apartment building or each flat is entered separately. In a business block, each office or group of

offices is entered separately. On account of the possible change of tenants, some real estate men enter the name of the tenant in pencil, but the ink record is preferable, with a new entry for the flat or office vacated in case the tenant changes.

Receipts to Renters. Prior to the beginning of each month, receipts are made out from the rent roll for the month in advance for each tenant. These receipts are placed in an alphabetical file and

RENT RECEIPT	No.....	Chicago,.....	19...
	Received of.....		
Dollars		
	100		
	for Rent of.....		
	from.....19... to.....19...		
		
	\$.....		
		
		

Fig. 25. Receipt Given to Renters

are turned over to the tenant upon the payment of his rent. The ordinary form of receipt is shown in Fig. 25. If the tenant does not pay at the office or remit regularly, a collector takes out the receipts for a certain district, presents and collects them, reporting at the office. A list is made in duplicate of the receipts taken by the collector and the collector returns the list with the money or the receipts to the office.

When the rent is paid, a slip is made out for the cashier as follows:

Date.....
Paid by
Cr. account of
Amount \$.....
For month of.
.....

The total amount of receipts by the rental department for the day is turned over with the ticket to the cashier. After he has verified

these, the tickets for the day's receipts are returned to the rental department. From these tickets, the payments as indicated are checked into the rent-roll and the accounts of the various owners in the owners' ledger are credited, thus providing a double check on the accuracy of the accounts and remittances. In order to prove the accuracy of the postings, a recapitulation should be taken of the rent-roll postings and of the ledger postings, and these two recaps must balance.

Owners' Account Ledger. The owners' ledger is for the purpose of keeping accounts with the owners of dwellings, flats, apartments, business property, and other property listed for rent and handled by the agent. Many real estate agents use an ordinary ledger for this purpose, but it will not be found as convenient as the form shown in Fig. 26. The use of the double debit column has the advantage of keeping the charges on amounts paid out on account of repairs and maintenance separate from the amount of cash paid to the owner in settlement of account. The charges should be entered in the first column debit, and the charges for cash remitted in the second column debit. The credits for collections of rent should appear in the credit column.

The monthly statements are rendered from these accounts, and are accompanied by the vouchers for cash paid out for the owners. After the cashier or chief bookkeeper has verified the reports by checking them against the balances of the owners' ledger, remittance checks are made out, and accompany the monthly report. Charges for commission for rent collected are carried through the journal at the end of each month, and posted to commission account as one item. The general ledger carries one account called *rent collections*. The amounts reported as collected each day, which are turned over to the cashier, are entered in one item to the credit of the rents collected account. The charges against owners are debited to this account, as are also the various amounts remitted to them with the monthly report. It is therefore clear that this account is the controlling account for the owners' ledger, and it would therefore be equally correct, or perhaps more in accordance with technical points, to call the account *owners' ledger account*. In the description of the loaning department will be described the cash book used for general purposes where a real estate agent has sales, rentals, and loaning departments, as is almost universally the case.

Special Expense Account. In cases where a real estate firm has charge of large business blocks or very large apartments where the expense items are numerous and continuous, it is found desirable to vary the usual plan of keeping track of the amounts paid out upon such properties by having a special expense account for each property. The same form of voucher is used, and the advantage gained is merely in keeping all of the expenditures upon a certain property together, so that reports and recaps on the gross and net revenue may be made for the benefit of the owners and the agents.

The usual expenditures made by real estate men and chargeable to the owners are as follows:

Class of Building—flats, six—6 rooms each	
Fixed Charges.	{ Taxes Insurance Water
Monthly Charges	{ Janitor Service Light Heat Rent Collecting
Indefinite Charges.	Repairs and Renewals
Class of Building—Apartments, 24—4 rooms each	
Fixed Charges.	{ Taxes Insurance Water
Monthly Charges	{ Superintendent Janitor Service Light Fuel Garbage Removal Rent Collecting
Indefinite Charges.	Repairs and Renewals

Sometimes in addition to monthly charges there is charge for elevator service and elevator repairs.

Special Expense Record. While not absolutely necessary, a record of the expense of repairs and renewals on the different apartments, flats, and large business property for the year gives very desirable information to the agent. It is useful in the compilation of an annual statement to the owner, showing the total receipts from the building less the total expenses for fixed charges, monthly charges,

and repairs, and thus gives him the net revenue upon his investment. The form used for this purpose is shown in Fig. 27. It is ruled to show the months of the year, and distributes the expenses for repairs as follows: painting inside, painting outside, decorating, plumbing, carpentering, fixtures, sundry, total, and total for the year, when built, when last painted, by whom painted, when last decorated, and by whom decorated.

SPECIAL EXPENSE RECORD												
Repairs	Flat's			No.			Street					
1908 - 9	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Painting												
Outside												
Inside												
Decorating												
Plumbing												
Carpentering												
Fixtures												
Sundry												
Total												
Total for Year												
When Built												
When Last Painted						By Whom Painted						
When Last Decorated						By Whom Decorated						

Fig. 27. Special Yearly Expense Record for Properties Rented

Signs and Advertising. The real estate agent at his own expense furnishes signs to put up on the property for sale or for rent, and does all of the advertising necessary to produce the results. It is well to have two general accounts, one for signs and one for advertising, so that the expenditures in each of these departments may be clearly designated, as these expenditures are a part of the expenses of the business, and are not chargeable to owners or to those who have listed their property for sale or for rent.

THE LOAN DEPARTMENT

Most important in the business of every real estate firm is the negotiation of real estate loans and the handling of deferred payments upon sales which are secured by mortgage, which is practically the same thing. Not a small amount of the profit in the

business comes from the commissions received for negotiating these loans, making out the papers, and afterwards, in many cases, for the collection of the notes as they become due.

When a sale is made, a warranty deed is given by the owner, guaranteeing the property conveyed to be free from any defects of title, and under this, the acceptor of the deed is entitled to recover should a defect subsequently be discovered. At the time of the transfer, a mortgage is taken to secure the deferred payments, these payments being expressed by a note or a number of notes signed by the purchaser.

A *mortgage* is an instrument signed, sealed, and given by the borrower (or mortgagor) to the lender (or mortgagee) or to a third party who holds it as trustee for the lender, by which the latter has the right, by following proper formality, to possess himself of property described in the instrument, in case the borrower does not meet his indebtedness as set forth in the conditions agreed to at the time of creating the debt. In general, a mortgage is, to all intents and purposes, a legal transfer of title to property, to take effect only in case the money, to secure which the mortgage was given is not paid. A wife must also sign and acknowledge the instrument.

If a mortgage is to cover buildings or property subject to destruction by fire, the lender should ascertain that there is sufficient insurance for his protection, and that the insurance policy (or policies) is endorsed by the agent or company as follows:

Payable in case of loss to John Doe, Mortgagee, as his interests may appear.

After the mortgage has been delivered to the lender of the money or his agent, it should be promptly recorded in the registry of deeds in the county wherein the property lies. This is to prevent a dishonest mortgagor from giving a subsequent mortgage upon the property, which might be recorded ahead of the first one. A *chattel mortgage* is a mortgage upon personal property, movable goods, or live stock, and is given to secure a debt or promise in much the same manner as a mortgage upon real estate. *Farm loans* are loans secured by mortgages on farm properties. These loans are practically free from the usual fluctuations of the market, are not likely to be influenced by political changes, and are very desirable, inasmuch as they pay a liberal rate of interest.

Second and Third Mortgages. A *second mortgage* is a mortgage placed upon property which is already encumbered by a first mortgage. This frequently happens when real estate men make sales of property, as the buyer assumes any indebtedness, secured by first mortgage. The amount of the payment which is deferred, and for which notes must be given, must necessarily be secured by a second mortgage, or a mortgage accepted with the understanding that the first mortgage must be fully satisfied before the second mortgage holder can receive anything.

A *third mortgage* is one placed upon a piece of property which already has two other mortgages against it. In taking a third mortgage, one should have reason to believe that the property will, at forced sale made at any time during the life of the mortgage, bring a price sufficient to pay off all three mortgages, because the first and second mortgages must be satisfied in full, before it is possible for the third mortgage holder to receive anything.

In some states mortgages are not allowed, but trust deeds are given to secure the payment of a debt, and are practically the same thing. The trust deed conveys the title of the property to some third party to be held in trust for another.

A *foreclosure of a mortgage* is a method of enforcing payment of a debt by the sale of the property covered by the mortgage. When the mortgagor fails to pay the interest or principal of the debt secured, the property is sold under a power to sell contained in the mortgage itself, in most states; but, in some states, a specific order to sell must be obtained from the court. The proceeds are applied to the indebtedness secured by the mortgage, other liens, and expenses of foreclosure. Any balance must be returned to the property owner or mortgagor.

A *lien* is a claim against property for some demand or debt due the holder. A mortgage is a lien, an issue of bonds is a lien; under the laws, certain work done by mechanics in the construction of a building, if unpaid, becomes a lien. As this is the case, there may be first, second, and third liens upon the same property.

Release of Mortgage. When a mortgage has been satisfied, or when the amount of money has been paid on the debt, or the other obligations or conditions which the mortgage secures have been performed, it is not sufficient to simply relinquish possession of the papers held in evidence of the security, but the mortgagee must

execute and sign a release of mortgage, which the debtor sends to the registrar of deeds and has recorded. The record of the release vitiates the former record of the mortgage and shows that the obligation has been met and that the property is no longer encumbered. What is meant by "running down a title" is the search of the records showing the various transfers of the property and all of the mortgages or mechanics' liens that have been recorded, and showing those that have been satisfied upon the books of the county.

Loaning Money. Real estate agents have a class of clients who desire to loan money upon real estate security, and prefer to do it through a third party, rather than be known personally in the transaction. They also have a class of clients (far more numerous) who desire to borrow money upon real estate security, by either first, second, or third mortgage, and are willing to pay a commission for securing the loan, in addition to the interest demanded. The rate of interest demanded by those who have money to loan depends very largely upon the amount of money in the market, and the demand. It is therefore very advantageous for the agent to be able to give as favorable rates of interest as is possible.

Accounts must be kept with those furnishing money for loaning purposes, not only that they may be credited with the amount received (which is debited to their account when the loan is made), but so that they may receive credit for all interest collected, and be charged with the collection charges.

Notes. In making loans secured by mortgage or in making sales with deferred payments, it is usual to demand notes, which are written promises to pay at some time agreed upon in the contract. In order to relieve himself from any liability, the agent frequently has the mortgage and notes made out to a third party, possibly some employe in the office. The mortgage is assigned at once, and the notes are endorsed by the third party "without recourse." Everyone who endorses a note or check is responsible for its payment, if the original signer does not pay it. This responsibility may be avoided by the endorser using the words *without recourse*, with his signature. Another reason for this method is that the maker has no defense against the payment of the notes as they have passed into the third party's hands.

A note should always be presented at the place specified for pay-

ment upon the date it is due. Where no place is specified, it may be presented at the maker's place of business or residence. The reason for presenting the note on the date of maturity is to be able to hold the endorsers. The liability of the maker is not lessened by a delay in presentation.

COHRAN & MCOLUER LOANS, REAL ESTATE, AND RENTING 107 Dearborn Street	Chicago, 19..... <i>RECEIVED OF</i> <i>for collection</i> <i>Note of</i> <i>for \$</i> <i>due</i> 19..... <i>Note of</i> <i>for \$</i> <i>due</i> 19..... <i>Note of</i> <i>for \$</i> <i>due</i> 19..... <i>Note of</i> <i>for \$</i> <i>due</i> 19.....
---	---

Fig. 28. Receipt of Agency for Notes

COHRAN & MCOLUER LOANS, REAL ESTATE, AND RENTING 107 Dearborn Street	\$..... Chicago, 19..... <i>RECEIVED OF</i> <i>Dollars</i> <i>For</i> <i>Interest coupon due</i> Cancelled coupon to be mailed when received by us.
---	---

Fig. 29. Receipt of Agency for Notes

Should payment of a note not be made when due, notice must be immediately sent to the endorsers or guarantors, unless some clause is inserted whereby they waive this right of notice.

A coupon note is an ordinary promissory note calling for different interest payments, the interest being represented by attached tickets or coupons, which must be presented from time to time, in order to collect the interest. The notes accompanying a great many of the western farm mortgages are in coupon form.

Interest. Interest is the charge made for the use of money, expressed usually on a percentage basis for the year. For the ready

Register of Mortgages and Loans. As soon as a loan is made, or a piece of property having annual, semi-annual, or stated times of payment is sold, the full particulars are entered in the real estate loan record, Fig. 30. Interest may be charged up and credited the same as items in merchandising, and the principal will stand by itself and not be confusing as in the old way. A full description of the mortgage can be made, showing location, address, amount of loan, date of the loan, date of payment of the principal and the interest,

			4086
DUE	EACH MONTH	AMOUNT OF PAYMENT	\$
Last Payment			
Name			
Address			
City		State	
District	General Agent		
Solicitor			
Collect by			
Remarks			

Fig. 32. Tickler Card for Collections

amounts of coupons falling due, and any special privileges. This form also records the insurance, number of the policy, amount, expiration, to whom made, and assignment. Partial payment mortgages are also provided for. As this book is essentially a loan ledger, it is arranged and used in the same manner as any other ledger. The sheets are arranged alphabetically according to the names of the borrowers, and postings are made from the cash book loan column to this ledger directly.

Some agencies prefer to keep the register of loans by cards instead of by a loose-leaf form. For this purpose, the form shown in Fig. 31 will be found quite desirable. It gives the loan number (which should be consecutive), principal, grantor, address, trustee,

forward to within a few days of the due date. If the note is payable at a bank, it is then sent to the bank in order to give them ample time for notice, or, if it is payable at the office, it is placed on due date. If to be presented, the note is taken from the note file and given to the collector when it falls due.

A special alphabetical file of the accordion variety should be kept on the cashier's desk, in which should be found all notes that are due or past due, unless the past due notes have been given to an attorney for collection; in which case, the attorney's receipts should appear in place of the notes.

If notes are not paid promptly at maturity, or a definite, satisfactory understanding reached regarding payment, a report should be made immediately to the owner of the note, in order to relieve the agent from any liability. Any steps for collection should be with the approval of the owner. Renewals and extensions of mortgages or notes should not be made by an agent without the owner's approval.

General Cash Book. The general cash book may contain all the direct entries for money received or disbursed in case the cashier has full charge of all departments. Where the rental department or the loan department is conducted separately, it is usual to have a cashier for each department, keeping separate cash books, and reporting the daily totals, which are entered in the general cash book as described for the rental department.

A loose-leaf cash book with every sheet numbered at the time the book is made, and every sheet to be accounted for by number consecutively, will be found most convenient for a real estate agency. The sheet for the record of cash received should show date, name, account, folio, rentals, sales, loans, and general ledger. This is shown in Fig. 33.

The sheet for cash disbursements should show date, check number, voucher number, to whom paid, whose account, folio, rentals, sales, loans, miscellaneous expense, and general ledger. The column for miscellaneous expense should be analyzed monthly, and the determinate accounts charged with their proportion, through the general ledger column, as has been before described. For a large office, a detail petty cash sheet with an imprest account similar to that described in the insurance section should be kept, and the totals from this sheet entered at the time the check is made, reimbursing

the account. The cash disbursements sheet is shown in Fig. 34.

It is most desirable in the real estate business to deposit all money received in the bank, and to make all payments to clients and for the general operation of the business (except as covered in the petty expense account) by check. This method, in connection with the voucher issue, gives a full and perfect record of all amounts disbursed.

General Ledger. The general ledger, whether it is a loose-leaf or bound book, should have the regulation ruling for general ledger purposes, which is the four-column journal style. This ruling gives the date, item space, debit column, credit column, debit balance column, and credit balance column, as shown in Fig. 35.

The general ledger contains the personal accounts of the proprietors, controlling accounts for rentals, sales, and loans, and the various expense accounts necessary to the business. Some firms use a portion of a general ledger for accounts with their clients.

At the end of each year an analytical annual statement should be prepared by the bookkeeper, showing the gross earnings and their component parts, the expenses of the business in each department, and the net earnings. Comparative statements of the different items of revenue and disbursements are also of great benefit to the proprietor.

Accounts with Clients. When a sale is made, the amount received is credited to the seller's account in the customers' ledger (or sales ledger) from the cash book, with brief particulars of the transaction. When the balance of the first payment upon the property is completed, this amount is also credited to the client's account. The commission and expense on the sale are charged to the client's account through the journal. The commission covers the entire amount of the deal, whether the full amount is paid in cash or in partial payments. The expenses are such as may be incurred in writing up the papers, procuring the abstract, and such other items as are agreed upon with the seller. As soon as the first full payment on the property is completed, and the deed for the same has been turned over to the buyer, a report of sale is made out and sent with a check to the client. The sales column controls the customers' or sales ledger.

Deferred payments (notes) and notes and coupons taken for collection are usually handled through the loan department.

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